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INDUSTRIALIZATION OF CHINA

The total economic planning and rapid strides toward industrialization in China have brought with them stern labor discipline sanctioned by forced labor, as well as low wages and inadequate housing. Private business has been nearly eliminated, the worker regimented almost beyond endurance, and a drastic regime of forced saving and heavy industrial construction fastened on the nation as a whole, with the result that living standards have remained at a minimal level. This situation represents, not an inevitable and transitory stage on the road to a better life in the future, but a logical result of the destruction of free political choice and individual economic incentive. In years past one used to debate the question of whether the industrialization of China was a practical possibility. Today, such debate is academic, for many of the prerequisites for industrialization—a high rate of saving and centralized control over the utilization of resources—have been achieved by the People's Government. There has been a marked increase in production since 1949, especially in the field of capital goods, although the actual extent of the increase is less than is claimed by Chinese propagandists. Mere production statistics however do not answer the questions whether the economic and human costs of these gains in production outweigh the benefits, and whether any substantial rise in living standards can be expected in the future.

Up to 1949 the power of the Chinese Communist Party was largely confined to, and its membership largely drawn from, rural areas, and it had therefore had little time or incentive to devote serious thought to problems of industrialization. Doc-

trinaire considerations relating to socialism almost eclipsed the question of industrialization during this period. In his most important theoretical work, *On New Democracy*, published in 1940, Mao Tse-tung says nothing about industrialization, but confines his treatment of economic questions for the most part to a discussion of the organization of a "bourgeois democratic" economy as a stepping stone to socialism. Nor did Mao have any theoretical foundation or precedent within the Marxist fold to which he could look for guidance in industrialization, other than Stalin's Russia; Marx himself gave almost no thought to the problem of industrializing an underdeveloped country, for he assumed that the proletarian revolution would occur first in the industrialized countries of the West. In 1949, however, the Party came into control of the cities of China, and the Central Committee consequently announced in March that "the center of gravity of Party work is shifted from rural areas to the cities." Mao Tse-tung's recognition that consideration of industrial problems could no longer be postponed was made evident in his *People's Democratic Dictatorship*, written during the summer of the same year: "The state of the people's democratic dictatorship must step by step solve this problem of the industrialization of the country." Consumer goods industries were neglected because of the totalitarian preference for heavy over light industry and the Marxist contempt for any form of industrial development which is not socialist.

One of the best guides to an understanding of the policy and practice of industrialization in China is the Five Year Plan, which went into effect in

1953 and is designed to give China by 1959 a gross national product roughly equal to that of the Soviet Union in 1932. The aims and methods of the Plan have been outlined by Li Fu-chun, Chairman of the State Planning Committee.

1. The growth in output of capital goods must exceed that of consumer goods. (This indicates clearly, if diplomatically, that the needs of the state are to be given precedence over those of the consumer, rather than being placed on a par as the Common Program implies). 2. The output of consumer goods must keep pace with the increased purchasing power of the people. (It would be more accurate to say that, in practice, output of consumer goods has been restricted to the level desired by the People's Government, and the resulting state of "suppressed inflation" is kept under control by, among other things, the floating of bond issues which are little more than forced loans). 3. Agriculture is to be developed so as to provide the necessary food and industrial raw materials. (This refers to the present policy of forming agricultural "co-operatives" as a stepping stone to eventual collectivization of agriculture, accompanied by forced government purchases of "surplus" grain and rationing of food). 4. Labor productivity must increase faster than wages, in order to allow for the "accumulation of capital." (In other words, capital is to be formed and industrialization financed, at least in part, by depriving the workers of the "surplus value" which they produce; this, according to Marx, is one of the worst characteristics of capitalism). 5. New industrial centers must be located near sources of raw materials. (This sounds harmless and unobjectionable, except that it involves great industrial expansion in such remote areas as Northwest China, where living conditions, cultural opportunities, and the like are bound to be at a minimum level for years to come).

The "general line" of the Chinese Communist Party with regard to industrialization, as with other matters, is set by the party's Central Committee and by the latter's Political Bureau (Politburo), both headed by Mao Tse-tung. Detailed economic planning is the function of the State Planning Committee, established in 1952 under the chairmanship of the now purged Kao Kang and including in its membership, in addition to Li Fu-chun, such other important men as Chen Yun, Peng Chen, and Peng Te-huai. The latter forms the main link between the State Planning Committee and another body whose views on industrial development must be taken into account: the National Defense Council, whose chairman is Mao Tse-tung and which stands on the same level as the cabinet. Within the latter there are a number of ministries which must implement the regime's industrial policies, which they have little influence in determining. The Organic Law of the Central People's Government, promulgated in 1949, established among others the Ministries of Heavy Industry, Fuel Industry, Textile Industry, Food Industry, Light Industry, and Railways. To these were added in 1952, in preparation for the launching of the Five Year Plan, the following: the First Ministry of Machine Industry (or Machine Building), which directs the production and utilization of machine tools for non-military industries; the Second Ministry of Machine Industry, which does the same for arsenals and other such military in-

stallations; the Ministry of Construction; and the Ministry of Geology. The most interesting of these ministries is the Second Ministry of Machine Industry, information on whose functions and output is omitted from the Communist press; it is headed by Chao Erh-lu, a relatively little known general who is also a member of the National Defense Council.

The task of finding the money to finance China's industrial expansion falls mainly on the shoulders of the Minister of Finance. Unlike most Chinese ministerial posts, whose holders have generally enjoyed reasonable security of tenure, the Ministry of Finance has changed hands since 1949. Its first holder was Po I-po, a Central Committee member who was also Vice Chairman of the Committee on Financial and Economic Affairs of the Government Administration Council and a member of the State Planning Committee. He was relieved in September, possibly because the Soviet government wanted a more trustworthy man in that important post before embarking on a program of aid to China's Five Year Plan, and probably also because the Korean war had strained his financial ingenuity to the limit and rendered him a promising scapegoat in the regime's drive against "bureaucratism:" he now holds the post of Chairman of the National Construction Commission. He was succeeded as Minister of Finance by Teng Hsiao-ping, also a member of the State Planning Committee, who served until June 1954. The present Minister of Finance is Li Hsien-nien, a soldier with little financial background and apparently little education. By Communist standards this is a rapid turnover, which appears to indicate something wrong with the implementation of the regime's financial program.

There is no need for a detailed analysis of that program, but only for a brief reference to certain peculiar features of Chinese finance which bear on the question of industrialization. The first is the distribution of government expenditure between military and civilian industry, and between heavy and light civilian industry. The two relevant items in the budget are referred to by Chinese Communist sources as National Defense and National Economic Construction. The percentages of total expenditure for these two items in the actual budgets for 1950-1953, and in the adopted budget for 1954, are as follows:

	1950	1951	1952	1953	1954
Defense	41.5	42.5	26.2	22.4	21.11
Construction	25.5	29.5	44.8	44.3	45.39
Total Expenditure (percentages of 1950)	100.0	175.0	240.0	343.4	366.85

The coverage of the term National Defense is not clear: Does it include only the expenditures for activities under the jurisdiction of the National Defense Council? Does it include the budget of the Second Ministry of Machine Industry? Does it include expenditures by other ministries on projects of value to the armed forces? Does it include pay-

ments to the Soviet Union for armaments received since 1950? These questions cannot be answered from the information published by the People's Government. What is clear is that, while the proportion of military expenditure in the total budget is alleged to have fallen by half since 1950, in absolute monetary terms the expenditure has nearly doubled since 1950. Even the announced percentage for 1954 would give a military expenditure for that year of 52,670,000 million yuan (or slightly more than US\$2 billion at the official Chinese exchange rate, which probably overvalues the yuan). For a country as poor as China this is an enormous expenditure on defense; it is an amount larger than the total annual budgets of the National Government of China before 1949, and roughly equal to the present total expenditure of the Republic of India. As for the distribution of expenditure under the National Economic Construction heading between heavy and light (or consumer goods) industry, figures are available only for 1954. Of a total appropriation for that year of 54,121,800 million yuan on construction, 78.3 per cent was for heavy industry and only 21.7 per cent for light industry. This is a disproportion which would be quite understandable in a "capitalist" economy, where private sources provide the consumer with most of his goods and services, but which is much more difficult to justify in a country whose government claims to control 50 per cent of light industry, 80 per cent of her wholesale trade, and 50 per cent of her retail trade, and expects to increase these percentages in the years ahead.

This overemphasis on heavy (or strategic) industry as against light (or consumer) industry is connected with the high rate of saving in China, or in other words the percentage of the gross national product which is withheld from current consumption and used instead for new investment. The American economist Alexander Eckstein has estimated this rate at 12 per cent in 1952, as contrasted with 8 per cent for India in 1949-50. This is a very high rate for a country so poor that its agricultural system, oriented largely toward the production of grain, produces less than 2 pounds of grain per person per day, as against between 3 and 5 pounds per person per day in the much more extensively farmed Soviet Union in 1937. Even the present high rate of saving is evidently insufficient to finance in full the industrial development which the Chinese authorities desire. Outside aid is considered necessary, and both Marxist theory and the logic of international politics point to the Soviet Union as the source. In the latter part of 1952, four Chinese economic missions visited Moscow to secure commitments for aid to China's forthcoming Five Year Plan. The first (August 17-September 24) was led by Premier Chou En-lai, accompanied by the Chairman, some Vice Chairmen, and the Secretary General of the Committee on Financial and Economic Affairs of the Government; the Minister and Vice Minister of Heavy Industry; the Minister of Fuel Industry; and the Vice Minister

of Communications. In November Liu Shao-chi, the Party's chief theoretician, headed a mission which included four high-ranking officials concerned with economic affairs, and at about the same time a delegation of Chinese trade union representatives and senior foreign trade officials also arrived. The commitments which these missions secured were not up to expectations; in mid-January 1953 the People's Government announced that construction goals for the first year of the Five Year Plan (1953) had been cut by 30 per cent.

China's expenditures on industrial development are characterized by four main features: they contain a very large item for defense; they emphasize heavy industry at the expense of light; they are linked with a high rate of saving maintained by rigid governmental controls; and they seem to require considerable supplementation by the Soviet Union, which has been a notoriously stingy and hard bargainer in its dealings even with its own satellites.

* * * *

Communist policy toward private enterprise during the present phase of "New Democracy" is one of toleration, provided it does not affect adversely the people's livelihood. Encouraged by this, many Chinese businessmen were led to hope that they could at least survive, and perhaps prosper, under the Communist regime either as owners of private businesses or as managers of government enterprises. This possibility, which seemed agreeable to the businessmen concerned, struck some foreign Communists as alarming and in the summer of 1949 the Indian Communists attacked Mao Tse-tung's supposedly conciliatory attitude toward the bourgeoisie. Though the Indian Communist leadership was chastised by the Cominform in 1950 for its criticism of Mao, and the latter's approach to the problem of revolutionizing an Asian country pronounced to be the correct one, Mao was put on his guard against anything which might appear to be excessive tenderness toward private enterprises in China. By 1951-1952, there were additional inducements to a campaign aimed at reducing the wealth and power of the middle class. The Korean war had severely strained finances. This situation, rather than any real fear of the power and machinations of the bourgeoisie, motivated the celebrated Five Anti movement. This movement directed nominally against acts of bribery, tax evasion, theft of state property, cheating in the fulfilment of state contracts, and theft of state economic secrets, was launched at the beginning of 1952 and continued in full fury until June of the same year. Under the leadership of cabinet ministers, mayors of municipalities, and other high officials, special teams dominated by Party cadres classified some 450,000 private businesses in nine major cities as "law-abiding" (about 10 per cent), "basically law-abiding" (about 60 per cent), "semi-law-abiding" (about 25 per cent), "seriously law-breaking" (about 4 per cent), and "completely law-breaking" (about 1 per cent). The last two or three categories included a disproportionate number of large enterprises, and of commercial as opposed to industrial enterprises. Punishments went as far as imprisonment or execution, but in most cases were confined to extreme psychological pressure ("brainwashing" and confessions) combined with heavy fines, totalling in the neighbourhood of US\$1 billion. The results of this government were to terrorize the bourgeoisie, increase the power of the state over the economy as a whole, and bring a substantial sum of money into the treasury.

If the position of the "capitalist" in China is very difficult, one might still expect that something better would be the lot of the workers. But the state deprives the people of the wealth which they create, over and above the bare subsistence level, and it is one of the basic principles of the Five Year Plan to do exactly that to the working class. Though there exists the All-China Federation of Trade Unions this is not an organization representing the workers, as in free countries, but one organized by the state to extract more work for less wages. The regulations governing labor discipline in China as of 1952 can be summarized as follows: 1. Workers cannot get jobs without first passing through a communist screening group. 2. Persons entering the labor market for the first time (for example, college or technical school graduates) are assigned jobs. 3. Workers are subject to arbitrary transfer by authorities. 4. Hiring and firing of personnel require the permission of local labor bureaus or trade union representatives. 5. Employers cannot hire laborers from other districts or regions without letters of permission from the Ministry of Labor. 6. Workers cannot be hired from the staffs of other organizations without the government's permission. 7. Unemployed laborers must present a prospective employer with registration cards issued by one or more of the following: the local relief committee for unemployed workers, the local labor unemployment office, the local committee for the disposal of unemployed intellectuals, the chu (district) or higher government bodies.

It might be argued that a totalitarian regime, for all that it imposes rigid labor discipline, at least guarantees full employment, but this generalization does not hold true of China. The People's Daily of October 6, 1951, gave the total number of urban unemployed as 1.66 million in June 1950; as of December 1950, 613,000; as of July 1951, 450,000; this encouraging trend was reversed in August 1952, when Minister of Personnel An Tzu-wen reported a total of 3 million unemployed. In the previous month the Government had attributed this rise in unemployment to the increase in per capita production (or what is usually known as technological unemployment), the elimination of many "decadent and extravagant industries," the application of many housewives for employment (a reflection of the fact that it was almost impossible for the husband alone to earn enough to support his family), and the movement of population from rural areas into the cities. Factors which the authorities did not mention were the United Nations embargo (imposed in retaliation for Chinese intervention in the Korean war), slow economic recovery, and the Five Anti campaign (which compelled many plants to close down). This figure of 3 million unemployed seems very high when we recall that there are only about 3 million industrial workers in China today, plus some 10 million workers in communications, the services, etc.

Wages in China, in keeping with the principles that purchasing power must not be allowed to outstrip output, and that, in order to build up capital for industrialization, the worker must not be allowed to consume all the "surplus value" which he creates, are low. Both the efficiency and wages of a Chinese textile worker are at best equal to, and possibly inferior to, those of an Indian textile worker, who works shorter hours and is subject to much less rigid discipline. In the case of Tientsin, the wage is about US\$28 per month. Chinese wages are theoretically fixed at a level adequate to support two adults (which means that the wife must work if there are children to be supported), but even this modest reward is paid in practice on a piecework basis, an institution from which labor in democratic countries has been generally free for decades. In spite of a lengthening of the work week by ten hours, real wages fell by about 37 per cent in Shanghai between 1949 and 1952. As for hours,

the Common Program specifies eight or ten hours as the normal daily maximum, but there is abundant evidence that a working day of twelve hours is common and fourteen not unknown. There is one way in which a worker can increase both his wages and his social standing somewhat, and that is by becoming a "labor hero," or "model worker." This is a worker who by some technical innovation, long hours, or hard work "overfulfills" the "norms" set for him by the factory management—and the norms, incidentally, are constantly increased. The authorities find these model workers useful because they provide an example to other workers and a pretext for raising norms, but the workers themselves find their lot less than ideal. There have been no strikes in China since 1950. A strike against a government-owned factory would be considered a crime against the state, and the usual punishment for offenses of that kind is forced labor. Although the Chinese have developed this institution to the level reached in the Soviet Union, there is evidence in the Chinese press which points to its existence on a large scale. Forced labor is used in heavy and difficult labor, such as mining and construction of railways, and particularly in barren and remote regions to which even a Communist regime would find it difficult to attract free labor. But in spite of the ever-present threat of forced labor, the rigid discipline, political indoctrination, low wages, and long hours imposed by the People's Government, not only resentment but resistance on the part of the workers were aroused. There are assertions in the Chinese press that the factories are full of "reactionaries," "terrorists," and the like. Deprived as they are of the normal legal means of expressing discontent, the strike, it is not surprising that the workers of China should resort, even if ineffectively, to passive resistance, the slowdown, and sometimes even sabotage.

Some clues as to the immediate outlook for the Chinese worker, and for the whole Chinese program of industrialization, can be gathered from an editorial in the People's Daily for March 22, 1955, entitled "The Objective Which State Industrial Enterprises Should Endeavor to Achieve." "This Year," the editorial begins, "is a year of decisive significance for China's first Five Year Plan. The State demands greater increases this year in the total value of output of industries throughout the entire Nation over that of 1954, higher labor productivity, larger accumulations of capital by industrial enterprises for national construction purposes, stricter emphasis on economy and technology, and the experimental manufacture of more new products." It goes on to point out certain defects in the performance of some government agencies in 1954. Although overfulfilment of quotas was the rule, it says, 36 per cent of the enterprises subordinate to the Ministry of Heavy Industry failed to fill their quotas. Both the crucial importance of Party cadres in directing factory operations, and their frequent shortcomings, are pointed out. The reduction of costs through greater efficiency and the elimination of waste are stressed. The only reference to the condition of the worker is the statement that as a result of industrial accidents "many workers have lost their lives each year, and even more workers have ruined their health." This deplorable situation is attributed in the editorial, not to a general policy of inadequate investment in safety devices or to excessive fatigue resulting from long hours and leading to carelessness, but to "negligence on the part of the leading administrative and technical cadres of the various enterprises in conducting effective worker education on safety operation and to a slackness on labor discipline in various enterprises." The tone of this editorial, which constitutes in effect a directive to plant managers for the year 1955, holds out little hope for any improvement in the low living standards and difficult working conditions of the Chinese working man. It rather tends to bear out the generalization of

COMMUNIST STRATEGY TODAY AND CHINA

By Bernard S. Morris and Morris Watnick

As a program for the organization of society, communism confronts the world with a twofold challenge. In advanced "capitalist" countries, it offers the vision of a planned social order based on an industrialization already achieved; to the underdeveloped areas, it promises an accelerated industrialization-to-come, telescoping the protracted period of development through which the advanced Western countries reached their present height of wealth and power under capitalism.

By and large, the Communist appeal in the advanced countries has reached its limit; here the predictions of sharpening class conflict, impoverishment of the masses, and widening discrepancies in wealth have been belied by the trend toward the welfare state, achieved within a framework of political democracy. Forecasts of industrial crisis and mass unemployment have fared no better. In this respect, communism ironically has turned out to be something of a self-negating prophecy; as long as it stands as a political and military threat to the West it perpetuates a defense economy and full employment. There is every reason to suppose, however, that democratic institutions can be used to stabilize employment at a high level in a full-time peace economy.

By contrast, the Communist appeal in underdeveloped areas is still formidable. In particular, it holds an attraction for those groups of the population who prefer drastic industrialization "from above" to the gradualist, evolutionary tradition of the West—notably for the various layers of intellectuals who cannot find accommodation in a slower process of change. For these groups, it is the USSR and China, not the Western industrial countries, which—to borrow a phrase from Marx—present to other underdeveloped areas an image of their own future.

That the industrialization of the USSR was accomplished at a much greater social and human cost than in the West is a point frequently minimized by those in other areas who put more store by the West's technology than by its humanistic tradition. Moreover, the basic social and political conditions in the underdeveloped areas of today are such that comparisons with Western development are not very pertinent. (In this respect, the use of such terms as "democracy" and "nationalism" to describe what is happening can be misleading, for they imply a degree of mass participation and response which simply does not exist at this stage). Finally, the international political situation is one that forces a development in these areas totally different from that experienced by the West over the last 300 years.

C. M. Chang, former Professor of Government at Lingnan University in Canton, with regard to the Chinese Communist policy as a whole: "The very size of the obstacles means that the pace will be speeded, and harsher and still harsher measures will be employed."

The Soviet Union, after a generation of industrialization, is still not ready or willing to invest enough of its resources in the development of light industry to raise the living standards of the Soviet people appreciably. China, starting from an industrial base inferior to that of the Soviet Union in 1928, with scantier natural resources, and with a much larger population to feed, will be able to do even less for the welfare of its people if it holds to its present course.

The very existence of two opposing power centers, the US and the USSR each bidding for the support of the underdeveloped countries, tends to increase the pressure on them for centrally planned and very rapid social change.

Whether these countries can hold their own under such circumstances without succumbing to the totalitarian impulse of communism is, of course, one of the major questions of our day. Real as are the tendencies which favor communism in some of the underdeveloped countries of Asia, there is no grim finality about them. We are not confronted by a "wave of the future," nor do the Communists assume it in their activities; they recognize in their doctrine the simple political truism that power is not the automatic result of the working of "social forces," that it must be won before it can be exercised. It is the purpose of the following survey to outline, in more or less schematic terms, the type of political strategy Communists are following today to eradicate Western influence from underdeveloped areas and to win a mass following for an eventual seizure of power.

How much Communist strategy owes to classical Marxism as distinct from power politics has been the subject of extensive discussion and study, and is too complex a question to be considered in a brief paper. Undeniably, certain elements of Marxian doctrine exercised some influence on Communist strategy in the early period of Bolshevik expansion, perhaps as much because of their emotive symbolism as for their analytical substance. But Marxism as a doctrine soon found a strong competitor in the power interests of the USSR and, with the passage of time, it became increasingly difficult to disentangle the respective influence each had in determining the strategy of Communist parties all over the world. Fortunately, however, it is possible to analyze a Communist strategy in simple operational terms without settling the theoretical question of its derivation.

Like any other group aspiring to power, Communists must try to identify their probable friends and foes in the population at large and work out a relation to each which will maximize their mass following, maneuverability and the like. In trying to do this, Communists—particularly in underdeveloped areas—have run afoul of two problems peculiar to their own movements: how to reconcile their own political needs with the power interests of the Soviet Union and how to translate their own version of Marxism into specific political policies. The root of these problems and the key to Communist political strategy is the type of "alliance" the Communists choose to make with various "classes" in a given situation.

The Basic Chinese Communist Pattern

Communist strategy in underdeveloped areas today may be described as Chinese in origin, Russian by adoption, and with the possible exception of parts of Africa, worldwide in application. Its basic ingredients are borrowed from Mao Tse-tung's strategy as it evolved after 1940 in response to conditions in China. Despite vast differences in the historical development, cultural traditions and social structure of the countries of Asia and Latin America, this strategy governs the policies of all the local Communist movements; it is based on a standardized reading of the problems of these areas and is applied with startling uniformity though, of course, with tactical diversity.

In summary terms, its underlying purpose is to weld into a political bloc under the direction of the Communist Party a following of urban workers, peasants, the "petty bourgeoisie" and those sections of the "national bourgeoisie" whose business interests bring them into conflict either with the national government or with foreign influence, or both, as the case may be. What distinguishes it from past strategies followed under Comintern direction is the attempt to widen communism's appeal; the type of bloc which is to be led by a Communist Party is virtually all-inclusive, even to the extent of counting within its ranks the "national bourgeoisie," which was formerly rejected for the most part as a domestic agent of foreign imperialism. Moreover, in attempting to form such a bloc, Communists appeal to classes as classes, not to different political parties which in the traditional Marxian reading are supposed to represent class interests. The present Communist strategy thus goes far beyond anything generally ventured in the "united front" period of the thirties. It is not so much an attempt to conclude working arrangements with the leadership of other parties (the so-called "united front from above") or even to win away merely the worker following of Socialist parties, as it is an appeal to the aspirations of all classes.

It is the penultimate form of a strategy which Communists, even of the less doctrinaire stripe, formerly denounced as "class collaboration." By an extension of Communist terminology of the 1930's, the strategy might be described as a national popular front "from below". Yet while its obvious purpose is to enable the Communists ultimately to displace the leadership of all other parties, the strategy does not preclude "united front from above" arrangements with more powerful parties where expedient.

In line with the Communists' bid for a broad national base, the present strategy is neutral with regard to the employment of armed force—a widespread notion to the contrary notwithstanding. In fact, the employment of armed force has always been a tactical matter in Communist policies, never basic. The present strategy is no exception to the rule. A Communist-led bloc can employ military force (the Chinese Communist and Vietminh revolutions, for example) or dispense with it (the Communists of India after 1950), depending on the prevailing tactical situation. At present the Soviet diplomacy of "accommodation" places a premium on nonviolent action as the most likely to eliminate or neutralize American influence in these areas.

The broad outlines of this strategy first appeared in Mao Tse-tung's writings of the late "united front" period, notably in "The Chinese Revolution and the Chinese Communist Party" (1939) and in "On New Democracy" (1940). The all-inclusive national appeal outlined in these tracts is abundantly in evidence. What Mao proposed was a multi-class alliance of workers, peasants, the "petty bourgeoisie" and "national bourgeoisie," directed by the Communist Party to the overthrow of "foreign imperialist rule in China and domestic feudalism." The "national bourgeoisie"—formerly accepted skittishly, if at all, only as a temporary ally in Comintern strategy—was now granted a place within the political bloc; the Communists were to hold the real levers of power but were to postpone the Communist aspects of their own program in favor of an initial period of "bourgeois revolution," following seizure of the government.

This new Maoist strategy emerged from and ran parallel to the peasant-based armed struggle with which Chinese communism is usually identified. When the strategy was generalized for all other underdeveloped areas, however, it was divested of its peculiar Chinese form and could be applied with or without "armed struggle" as circumstances required.

It is easy enough to dismiss Mao's "bloc" thesis as an attempt to beguile China and the world into a grand mis-

reading of what the Chinese Communists intended to do, once they came to power. Five years of Communist rule in China has given ample evidence that the role assigned in Mao's works to the bourgeoisie—and for that matter to every other class in the bloc—is pure fiction if taken at face value. The Communist regime in China is a government by a party elite which manipulates all classes to achieve its own goals. Yet these early statements contain a grain of truth which bulks large in the wider application of the strategy in other underdeveloped areas. In the 5 years during which the Communists have governed China, its business classes have been effectively pulverized as classes and deprived of any real control over their properties. But, in contrast to the pattern of obliteration followed by the Communists when they seized power in Russia, the Chinese Communists have managed to transform the role of certain sections of the Chinese business community, absorbing them by degrees into the managerial bureaucracy. In Asia, where business groups frequently owe their existence to governmental policies, and are intimately dependent upon the state apparatus, the bureaucratization of a portion of the Chinese "national bourgeoisie" may be regarded with far less concern than is generally imagined. What use Communist propaganda elsewhere in Asia makes of the Chinese experience is illustrated in the following passage from a propaganda tract published in India: Supposing, therefore, communism of the Chinese type comes to India: the majority of our capitalists and particularly the industrialists would not only survive but receive every possible encouragement from the Government in the interest of production. In fact, the national bourgeoisie, or patriotic capitalists who have not tied themselves with Anglo-American cartels, would have every reason to welcome such a changeover. The axe of the new regime would fall only upon half a dozen of the bigger cartel kings of India—the compradors with powerful foreign alliances, the zemindars, the black-marketeers, speculators and moneylenders. These would probably be sent to reformatories. The rest of our bourgeoisie would be allowed to coexist, cooperate, and coprosper together with the people.

GENERALIZATION OF THE CHINESE COMMUNIST STRATEGY

The substance of the four-class bloc strategy was incorporated in the programs of a number of Communist parties—notably those of Japan, Indochina, and Brazil—in the early postwar period. But not until the victory of the Chinese Communist Party was it prescribed as mandatory for most parties in underdeveloped areas. The official endorsement came at a trade union conference of Asian and Australasian countries, held under the auspices of the World Federation of Trade Unions in Peiping, November 16-December 1, 1949. Liu Shao-chi, the acknowledged ideologue of the Chinese Communist Party, sounded the keynote in his opening speech at the conference:

The course followed by the Chinese people in defeating imperialism and its lackeys and in founding the People's Republic of China is the course that should be followed by the peoples of the various colonial and semicolonial countries in their fight for national independence and people's democracy.

The steps which led the Chinese people to victory may be demonstrated by the following formula:

1. The working class must unite with all the other classes, political parties and groups, organizations and individuals, who are willing to oppose the oppression of imperialism and its lackeys, in order to form a broad and nationwide united front and wage a resolute fight against imperialism and its stooges.

2. This nationwide united front must be led by the working class, and its party, the Communist Party, which oppose imperialism most resolutely, most courageously and

most unselfishly, and must be built around the working class and the Communist Party as its center. It must not be led by the wavering and compromising national bourgeoisie or petty bourgeoisie and their parties.

3. In order to enable the working class and its party, the Communist Party, to become the center for uniting all the forces throughout the nation against imperialism, and competently to lead the national united front to victory, it is necessary to build up through long struggles a Communist Party, which is armed with the theory of Marxism-Leninism, understands strategy and tactics, practices self-criticism and strict discipline and is closely linked with the masses.

4. It is necessary to set up wherever and whenever possible a national liberation army led by the Communist Party, powerful and skilful in fighting the enemy, as well as the bases on which it relies for its activities, and to co-ordinate the mass struggles in the enemy-controlled areas and the armed struggles. Armed struggle is the main form of the fight for national liberation in many colonies and semicolonies.

This is the basic way followed and practiced in China by the Chinese people in winning their victory. This way is the way of Mao Tse-tung, and it may also be the basic way for winning emancipation by the people of other colonial and semi-colonial countries where similar conditions prevail.

At the close of its sessions the conference resolved:

In the colonial and semicolonial countries of Asia, to take into account local conditions and national characteristics and use the appropriate methods to achieve people's unity in the fight for genuine national independence, for democracy and peace, and against the imperialists and their agents.

For the correct assessment of these methods, valuable lessons may be drawn from the experience of the Chinese people, who under the leadership of their working class, have created a united national front, and who, with the support of all strata of the population, in the first place with the support of the peasantry, have waged a great struggle for national liberation, finally routing the combined forces of domestic reaction and international imperialism.

It is clear, then, that the Communist parties of Asia were called upon to adopt the Chinese model of the multi-class bloc and to couple it with armed action only where and when feasible. That suitable conditions for successful military action were not to be taken for granted in all cases has been made clear in numerous Communist pronouncements. A statement by Ye. M. Zhukov, a leading Soviet commentator on Communist movements in "colonies" and "semicolones," is typical:

... It would be risky to regard the Chinese revolution as some kind of "stereotype" for people's democratic revolution in other countries of Asia.

In particular, it is difficult to presuppose that other countries of the Orient following the path of a people's democracy could necessarily calculate on acquiring the vitally important advantage of the Chinese revolution—a revolutionary army such as there is in China.

If there were any doubt about the endorsement of Chinese Communist strategy—not as a prescription for "armed struggle" but in its political dimension as a model for the Communist parties of other areas in Asia—it ought to be dispelled by the following statement of R. Palme Dutt, a leading British Communist of Indian descent, who has often served as spokesman for the international Communist movement on "colonial" matters:

The Chinese people's revolution and the achievements of the Chinese People's Republic, won under the leadership of the Chinese Communist Party, have shown the way to build the united national front of the working class, the peasantry, the intellectuals and urban petty bourgeoisie, and the national bourgeoisie, for the victory of the democratic, anti-feudal, anti-imperialist revolution, and for the establishment of the new type of state of people's democracy.

THE FOUR-CLASS BLOC APPEAL

Today the strategy of the four-class bloc is de rigueur for all Communist parties in underdeveloped areas. It was explicitly invoked in January 1950 when Moscow intervened in Indian Communist Party affairs to force out the "left" leadership of B. T. Ranadive and bring the party into line with the Maoist strategy. Omitting India from the list of countries where armed struggle was sanctioned, the Moscow-inspired statement in the *Cominform* journal of January 27, 1950, stated:

In these conditions the task of the Indian Communists, drawing on the experience of the national-liberation movement in China and other countries, is, naturally, to strengthen the alliance of the working class with all the peasantry, to fight for the introduction of the urgently needed agrarian reform and—on the basis of the common struggle for freedom and national independence of their country against the Anglo-American imperialists oppressing it, and against the reactionary big bourgeoisie and feudal princes collaborating with them—to unite all classes, parties, groups, and organizations willing to defend the national independence and freedom of India.

How far the Indian and other Communist parties are prepared to go in catering to different classes is illustrated in party programs adopted after 1950. The Communist Party of India, suddenly turning "protectionist," declared: "The working class must come out for the protection of national industries against the competition of the imperialists." The draft program of the Indonesian Communist Party, adopted in March 1954, provided for seizure without compensation of all foreign and native-owned large estates but stipulated that the land and other properties of "rich peasants" would not be seized and that the land and other properties of middle peasants would be protected by the government. Similarly, the Indonesian Communist-dominated trade union federation (SOBSI) at its 1952 conference went so far as to delete from its constitution all reference to the terms "socialism" and "people's democracy" to allay any suspicion of its program.

To take another case, the Israeli Communist Party, describing Israel as a "semicolonial" country because of its dependence on American and foreign capital, set itself the task of replacing the present government with a coalition representing all anti-imperialist forces including the "working class, the working fellabin (peasants), professional people, educated workers, middle groups and part of the industrial bourgeoisie." Although the program defines the party's aim as the establishment of a socialist regime, it rejects this goal in the present period. The problem at the present stage is envisioned, not as one of putting an end to capitalism in Israel and setting up a "socialist" regime, but as one of eliminating the hold of foreign capital on the Israeli economy.

The strategy also has been taken over in the programs of Communist parties in Latin America, of which the Brazilian may serve as an example. Luiz Carlos Prestes, general secretary of the Communist Party of Brazil, stated in a recent report to the party central committee:

This position of Brazil as a semicolonial and semifudal country is becoming even more pronounced as a result of the growing domination of the North American imperialists. ... The US imperialists and the feudal remnants are the chief enemies of progress and of the life and security of the overwhelming majority of the population.

Thus the Brazilian revolution at the present stage can be characterized as a people's democratic revolution, an anti-imperialist, antifudal and agrarian revolution.

Calling for the "broadest possible Democratic Front of National Liberation" under the control of the Communist Party, Prestes not only made a place in the bloc for the

"national bourgeoisie" but also set up the Communist Party as the defender of its interest:

The party program not only does not threaten the interests of the national bourgeoisie, but upholds those of its demands which are progressive in character, in particular, the demand for developing the national industry.

It would be a mistake—one which could weaken the anti-imperialist, antifeudal forces—to confuse the national bourgeoisie with the forces of the feudal and imperialist camp and to underrate the significance of this bourgeoisie, particularly in the present stage of the revolutionary movement in Brazil, owing to its influence on the petty bourgeoisie, the peasant masses and even on the part of the workers.

It should be noted parenthetically that these Communist programs are not promulgated as statements of strategy in the strict sense of the term. What they purport to do is to analyze the contemporary political scene in terms of Marxist class schema and from such an analysis to derive the political and economic policies the Communists would put into effect were they to achieve power. Obviously, however, the programs are and are intended to be crucial strategic weapons in the sense that they attempt to influence mass behavior by exploiting prevailing popular discontent and the hope for a better future.

THE PRESENT TACTICAL SITUATION

It seems clear from the above that the Communist parties in the underdeveloped areas share a uniform strategy sanctioned alike by Moscow and Peking. In it, the United States has become the main target of attack, and any demand for a Communist revolution, properly so-called, has been subordinated to a program more palatable to influential groups of the populations.

How is this to be achieved? On the positive side, Communist programs have been redrawn as indicated, in an attempt to make them more acceptable to propertied groups. On the other hand, since the use of armed force would alienate precisely those groups which the Communists are trying to attract, there has been a tendency to abandon military action or violence except when a Communist-sponsored political coalition feels it is strong enough to be certain of victory.

Soviet strategy and diplomacy also have been such as to deflect Communist action, in most cases, from violence to political warfare and propaganda. In his last full-dress discussion of the subject, Stalin took the view that war is more likely to occur between "capitalist" states than between the capitalist world and the Soviet bloc. He drew the strategic inference from this assumption that the first task of Communist parties throughout the world was to isolate the United States and thereby to improve the relative power position of the Communist bloc. In support of this position, the USSR has set in motion a worldwide peace campaign geared not to revolution, but to weakening American defense arrangements by creating distrust of US policies, encouraging neutralism and winning new allies.

Under these circumstances, it makes sense for Communists in Asia to terminate their rebellions and to emphasize political activity of a legal type, designed to promote "unity of action" and "peace." By capitalizing on the anti-Western animus of many of the peoples of the underdeveloped areas, as well as on their desire for peace and for neutrality, and by holding out the promise of rapid social improvement to all groups in a "people's democracy," the present Communist strategy may, in the long run, prove to be a far greater obstacle to orderly economic progress and the evolution of stable political institutions than the abortive recourse to armed struggle in the late 1940's.

PAKISTAN: A GROWING WORLD POWER

By Raymond Parker

Although the ancient lands of Pakistan have been forged into an independent sovereign State only since 1947, this virile young nation has already won an honoured place in the affairs of the world and of the Commonwealth of Nations. In spite of many initial difficulties, the people of Pakistan face the future with a boundless confidence. A major problem arose at the very inception of the new State, when Pakistan found its 364,218 square miles split into two separate zones, divided by partition by more than a 1,000 miles of Indian territory. East Bengal and the rich Sylhet district of Assam formed East Pakistan; and Western Pakistan comprise the Punjab, Sind, Baluchistan and the North-west Frontier Province.

To counter-balance this division of territories, a common belief in Islam has provided a single social, ethical and legal code. Although descended from a great mingling of racial stock—Mongol, Semitic, Dravidian and Indo-Aryan—nearly 85 per cent. of the people of Pakistan are Muslims. A strong tradition of culture and civilization is a powerful unifying force amidst many diversities of race and language.

Much progress has already been made in the development of the young State, but Pakistan has always been mainly an agricultural country, and there is a wide diversity of crops and agricultural methods, differing from province to province according to the terrain, soil and climate.

In the Sylhet and Chittagong districts of East Bengal, 75,000 acres are devoted to tea producing, 95 per cent. of which is exported to the United Kingdom. Cotton is also one of the main exports of East Pakistan. Among the country's most valuable export assets are the products of the jute mills. A national effort is being made to increase raw material and finished products of golden fibre—jute, and silver fibre—cotton. Further expansion of the jute industry includes the building of new mills equipped with machinery bought in Britain. In the very dry climate of the North West Frontier Province, experiments are being made to produce hybrid corn, to develop a new variety of rice and to increase the production of sugar cane.

Water is essential for all development and large projects for irrigation and hydroelectric schemes are in progress. Britain laid the foundation for the efficient canal irrigation system of West Pakistan and the Sukkur Barrage damming the River Indus is the largest in Asia, feeding six canals which serve an area of six million acres.

The most spectacular of all development schemes is the Thal project. This scheme will change one and a half million acres of desert into productive land and a million acres of clay and loam into fruit gardens. Tree planting is an important feature of this reclamation plan. Millions have already been planted and the target is 10 million trees

a year. When the project is completed, it is expected that there will be 1,000 villages supporting 250,000 people in this transformed desert.

Water is also needed for power. An outstanding engineering feat is the Malakand Power Station, part of the development plan for the Malakand valley. This power station, with another four miles away at Dargai, generates more power than the Frontier Province will need for years to come. Some of the electricity is earmarked for the Punjab grid system.

For all these projects, trained personnel and skilled technicians are needed. At first, Pakistan lacked both, but now the deficiency is being made good for the carrying out of the Government's plan for the development of roads, factories, airports, dams and power projects.

Under the Colombo Plan, the Government of the United Kingdom supplied equipment for eight Technical High Schools. Teachers for these schools will receive special training for a short period in Great Britain. Also under the Colombo Plan, other Commonwealth countries are helping with technical advice, stock and equipment. For example, New Zealand sent sheep and machinery for dairy equipment; Australia has sent livestock and machinery; Canada offered a cement plant.

The University of the Punjab provides for post-graduate teaching and research. Pakistanis visit Britain as guests of Her Majesty's Government to attend colleges and technical institutions and to study production methods at the factories of various industries. Even the directors of firms visit other Commonwealth countries to study methods and to gain business and production experience.

But general education is a major problem as only about 14 per cent. of the 76 million population are literate. In the past, only the boys of families received education: to attend school is a novelty for most girls. Training establishments have been established to train primary school teachers and the building of schools is a top priority.

Educated women are no longer confined to the home and many are taking their places beside men in many trades and professions. The women of Pakistan have a natural flair for colour and design and painting is a career much favoured by them. Pakistani paintings have already been exhibited in London Galleries. Pakistani dancers have danced abroad, bringing with them the classical dancing for which the East has been famous for centuries. Film-making is a new industry which has not yet reached the stage of being generally accepted by the Western public. No doubt the day will come when the West will be glad to learn more of the ancient culture of Pakistan.

Densely populated Lahore, capital of the Punjab Province, is the principal cultural and academic centre in West Pakistan and has one of the finest universities in Asia. The Federation Capital of the country is the fast-growing metropolis of Karachi, with its 1,250,000 inhabitants. Its port is nearest to Europe and to South-West Asia and has a handling capacity of over four million tons. The airport at Karachi is one of the historic air junctions of the world, with well-designed buildings and a fully trained staff, linking the capital of Pakistan with all the important capitals of the world.

From the soil of this ancient land a new nation is emerging. With its roots deep in a culture and civilization centuries old, this young State reaches out confidently to the future. Symbolic are the camel-carts of Karachi giving way gradually to diesel lorries, trains and motor cars: the colourful bazaars in contrast with wide avenues and modern buildings: shops stocked with goods made in Pakistan: articles on sale ranging from lengths of cloth to modern electric table lamps. Confidence grows with each problem vigorously tackled, even if many still remain to be solved.

THE ECONOMIC SITUATION IN THE FAR EAST

PART TWO

INDUSTRIAL PRODUCTION

Industrial production continued to increase in 1954 and early 1955. In Japan, industrial production declined slightly towards mid-1954, but recovered in the last quarter of the year. The substantial increase in exports in the second half of 1954 and early in 1955 accounted for the high level of industrial activity, although the trend of production varied widely among different lines. In China, the rate of increase is reported to have slowed down from 31 per cent in 1953 to 17 per cent in 1954 and is planned to be about 8 per cent in 1955. The First Five-Year Plan (1953-57) envisages a total investment of ¥76,640 million or approximately \$31,000 million. Heavy industry has been accorded the highest priority in the Plan, as indicated by the rise of the ratio of output value of 'means of production' to total industrial output from 39.7 per cent in 1952 to 45.4 per cent in 1957. In Taiwan, with its four-year development plan (1953-56), industrial production rose sharply by 33 per cent in 1953, but by only 4 per cent in 1954; it rose by 8 per cent in the first quarter of 1955 as compared to the same period in 1954. On account of the limited size of the market, excess capacity has appeared in certain industries, such as cotton textiles and wheat flour.

The progress achieved in India was also considerable. Improvement in transport and availability of raw materials led to the greater use of the existing industrial capacity, so that the increase in industrial production, from an annual rate of 5 per cent in 1953 to one of 8 per cent in 1954, was even more impressive than the growth of industries. Exports of manufactures have become important in some lines of industry. In the first quarter of 1955, industrial production rose by 15 per cent over the corresponding period a year ago. Exports have become important in some lines of industry. The government has proposed to set up more Export Promotion Councils and to assist the export trade by framing rules for drawback of duty on raw materials utilized in the exports of manufactured goods. Industrialization is going on as an integrated part of overall planning in India, and the draft Second Five-Year Plan, which is now being finalized, provides a larger scale of industrial expansion than the First Five-Year Plan, with more emphasis on heavy industry in the public sector. Pakistan has made rapid progress in industrialization during the last four years, in spite of balance of payments difficulties. The index (1950=100) of industrial production covering 17 major industries rose from 125 in 1951 to 160 in 1952, 235 in 1953 and 285 in 1954. Rigid import restrictions especially on consumer goods have stimulated domestic production, as have tariff protection, government purchase of locally manufactured products, and financial facilities extended by the government-sponsored Industrial Development Corporation. Recently, foreign aid has been forthcoming in substantial volume to supplement domestic investment funds.

In the Philippines, expansion of electric power and transport facilities, restrictions on consumer goods imports along with freer import of raw materials, plant and equipment, and tax exemption for new industries have stimulated rapid industrial expansion. In Afghanistan, Burma and Thailand, although the tempo of increase in industrial production was not as rapid as in the above-mentioned countries, a steady and moderate progress was achieved. In

Ceylon, industrial production was stationary. In Indonesia, in contrast to the steady development in mineral production (inclusive of petroleum and products), industrial production suffered greatly in 1954. Strict import restrictions affected the supply of imported raw materials. During the last quarter of 1954, business shutdowns and production and labour cutbacks were reported in various branches of industry. However, in the 1955 foreign exchange budget, the largest allocation has been made for raw materials; and shortages caused by import restrictions are beginning to stimulate domestic production. In the Republic of Korea, the continuing inflationary pressure has hampered industrial production, which remains below the targets set by the government's five-year programme. However, there has been some rise in industrial production during the period under review, largely owing to the increased supply of electricity.

In Hongkong, the rapid expansion of industrial capacity has continued, with a rising share of locally manufactured products in total exports. In Malaya, steady development has been going on in the field of light consumer industries.

Coal

During the half-year period under review (October 1954 to March 1955), coal output increased, the decline in Japan being more than offset by a marked increase in China and some increases in other countries of the region. In China, the largest producer in the region, annual output is reported to have increased by 26 per cent in two years, from 63.5 million tons in 1952 to 80 million tons in 1954, and is scheduled to rise to 113 million tons by 1957, an increase of 80 per cent over 1952. In the current year government investment in the industry is planned at 50 per cent over 1954, with emphasis on mechanization. During the five-year period 31 collieries, each with an annual capacity of more than one million tons, are to be developed. Among these, the Big Five are expected to have an annual capacity of the following order by 1957: Kailan 9,680,000 tons, Fushun 9,300,000, Fushin 8,450,000, Huainan 6,850,000 and Tatung 6,450,000 tons.

In India, coal production rose from 36.4 million tons in 1953 to 37.4 million tons in 1954, and was maintained at about that level in the first quarter of 1955. At the moment, an ambitious plan is being drafted with expansion of production scheduled at 60 per cent over 1955/56, output to be increased to 60 million tons by 1960/61. The coal industry in India, however, is at present confronted with many difficulties such as low productivity, transport bottlenecks, lack of washing facilities, and a somewhat uncertain future regarding ownership and control.

In Japan, despite the fall in coal production from 46.5 million tons in 1953 to 42.7 million tons in 1954 and to 42.0 (annual rate) million tons in the first quarter of 1955, stocks of coal increased considerably, with a consequent fall in coal prices. At the end of March 1955, the total number of collieries decreased to 668, as compared with 853 at the end of March 1953. Of these 140 closed down during 1954 alone. Serious social problems arose as employment in collieries fell from 387,000 in March 1953 to 277,000 in March 1955.

The depression in the coal industry may be due to a variety of causes: (a) recession in certain lines of indus-

try, (b) general rationalization, leading to an economy in the use of coal, (c) competition of heavy oil as an industrial fuel, aggravated by high cost of production of coal due largely to natural deterioration in the conditions of mines. Coal mining companies by agreement started reduction of output by 10 per cent from December 1954, and decided to continue the reduction in effect through 1955/56. In the meantime, owing to financial difficulties, a long term project for rationalizing the coal mines was delayed. In June 1955, a bill proposing certain measures for rationalization through closing down of inefficient mines and restricting the opening of new pits was submitted to the Diet for consideration, with a view to stabilizing the position of the industry.

Output during the period under review in Afghanistan increased by 6 per cent to an annual rate of 12,700 tons, compared to a year earlier. In February 1955, the Government organized, with the help of other industries, a new Coal Association to operate the coal mines and stimulate output. Indonesia maintained its coal output on practically the 1953 basis, around 895,000 tons, substantially below the pre-war level. In the Republic of Korea, a slight increase from 864,000 tons in 1953 to 888,000 tons in 1954 has been followed by a substantial increase in recent months. In the Federation of Malaya, output has steadily declined over the past five years, to 228,000 tons in 1954, as compared to 288,000 tons in 1953 and an average of 460,000 tons in the pre-war period. In Pakistan, there was a slight decline in output from 588,000 tons in 1953 to 564,000 tons in 1954, which, however, was more than twice the level in 1948.

Petroleum

Crude oil production is concentrated in Indonesia, Brunei and Japan, though in several other countries, notably China, Pakistan, Burma and India, it is growing. During the period under review, production expanded under the influence of liberal government policy towards foreign investors, and by reason of the implementation of various development plans.

In Indonesia, the largest producer, output of crude oil in 1954 reached 10.8 million tons or 6 per cent above 1953, thus reducing the need for imports for purposes of refining. Exports of petroleum and petroleum products, which accounted for more than a quarter of the total value of exports in 1954, increased appreciably during the second half of the year. The revision of agreements between the government and foreign oil companies, on taxes and company retention of exchange earnings, is reported to have been completed, and foreign investment in the industry is expected to expand.

In Brunei, output of crude oil totalled 4,788,000 tons in 1954, as compared with 4,884,000 tons in 1953. In Sarawak, where crude oil produced in Brunei is refined in addition to a small quantity produced locally, output of refined products remained at the same level as in 1953.

In Japan, crude oil output in the period under review was at an annual rate of 312,000 tons (same as a year ago); but owing to expansion in refining capacity, value of imports increased by 11 per cent from \$120 million in 1953 to \$134 million in 1954. To conserve exchange, the government has under consideration a five-year (1955-59) project (costing ¥12,000 million, half to be provided by government) for increasing output of crude oil by a million tons.

In China, production of crude oil and products is reported to have risen by 40 per cent in 1954; it is planned to rise by 34 per cent in 1955 over 1954, with an allocation of 44 per cent more funds for the year to expand the industry. In Taiwan, production of crude oil reached a new high at 4,859 tons in 1954, as compared with 2,519 tons in 1953;

it continued to increase in the first quarter of 1955. The increase in production of petroleum products, based largely on crude oil imports, rose from 288,360 tons in 1953 to 395,160 tons in 1954 and to an annual rate of 425,064 tons during the first quarter of 1955.

In Pakistan, output of crude oil amounted to 264,000 tons in 1954, as compared with 240,000 tons in 1953. Search for more oil continued during the period under review. An agreement was signed between the government and the Standard Vacuum Oil Company, providing for joint exploration in the Ganges delta and the Indus valley at a total cost of Rs. 200 million, of which 25 per cent is to be provided by the government. In the Sui Gas Project started in 1954, satisfactory progress has been achieved to make gas available for industrial use in Karachi by August 1955. The initial rate of production will be 13,505 million cubic feet a year (roughly equivalent to 5,500,000 tons of coal).

In Burma, while output continues to be at a low level as compared to pre-war, there has been recently a substantial increase, production of crude oil having risen to 193,000 tons, at an annual rate, during the six months under review, as compared with 161,000 tons (annual rate) a year previously.

In India, significant progress has been made in the establishment of oil refineries for which agreements had been signed by the government with the Standard Vacuum Oil, Burmah-Shell and Caltex companies. The first two refineries have commenced production. New sources of oil have recently been discovered in Assam, and the government has entered into an agreement with the Standard Vacuum Oil Company for joint exploration. In the draft Second Five-Year Plan, a project has been tentatively included for the establishment of a synthetic oil plant with an annual capacity of 300,000 tons.

Electricity

The generation of electricity increased considerably during the period under review, owing to progress in the implementation of new projects in Japan, China, India, Pakistan, the Philippines and other countries. In Japan, power generation during the period under review was at an annual rate of 59,640 million kWh, as against 57,840 million kWh (at an annual rate) during the same period a year earlier. In December 1954, the original Five-Year Development Programme (1953-57) was revised downward into a new Five-Year Development Programme (1954-58), in view of the difficult financial situation. The revised Programme envisages an increase in the maximum capacity by 4.6 million kW (hydro-power by 2.96 million kW and thermal power by 1.64 million kW), as compared with 5.1 million kW in the original programme; the maximum capacity already completed reached 1,170,000 kW in 1953 and 990,000 kW in 1954, and a record expansion of 1,428,000 kW in the maximum capacity is expected in 1955, to be financed partly from the United States counterpart funds. Upon completion of the new Programme, the total maximum capacity is expected to reach 17 million kW (hydro-power 10.7 million kW and thermal power 6.3 million kW).

In China, the output of electricity is reported to have increased by 51 per cent from 7,260 million kWh in 1952 (pre-plan year) to 10,960 million kWh in 1954. It is planned to increase power generation further to 15,900 million kWh by 1957. Capacity is to be increased by 2.05 million kW during the plan period. 15 large thermal power stations with capacity of more than 50,000 kW each are to be established, and the capacity of the Fengman Hydro-electric station in the Northeast is expected to reach more than 567,000 kW when its reconstruction is finished by 1959. Work on 17 plants (built or reconstructed) is reported to

have raised the country's generating capacity by 16 per cent in 1954. In 1955, 30 power plants, newly built or reconstructed, would be brought into operation and the generating capacity would be raised by 20 per cent. In Taiwan also, there has been a rapid expansion of generating capacity under the First Five-Year Power Development Programme (1953-57). The output, mainly from hydro-power stations, increased by 15 per cent from 1,560 million kWh in 1953 to 1,800 million kWh in 1954, in spite of an unusual drought in summer. Output in the first quarter of 1955 was also substantially higher than in the same period of 1954. With the early completion of the Four-Year Plan for Economic Development (1953-56) in view, a Second Five-Year Power Development Programme has been formulated, for implementation before the conclusion of the first. The multi-purpose Shih-men Reservoir Project, which provides for irrigation, flood prevention and public water supply, in addition to power generation with a total peak capacity of 120,000 kW, has recently been started as an important part of the second five-year programme.

In India, electricity output rose by 12 per cent from 6,624 million kWh in 1953 to 7,488 million kWh in 1954; of this, 53.3 per cent was generated by steam plants, 43.7 per cent by hydro plants and the remaining 3.0 per cent by diesel plants. Considerable progress has been made in the execution of large-scale multiple-purpose projects, such as the Hirakud Dam Project, the Damodar Valley Project and the Chambol Valley project. The hydro-power house No. 1, with two units of 24,000 kW each at Nangal Dam under the Bhakra Nangal Project, was put into commission in January 1955, and the power house No. 2 of the same size is expected to be completed by December 1955. Preliminary work is proceeding on the Konya project to establish a hydro-power station with a total installed capacity of 240,000 kW. The draft Second Five-Year Plan envisages a further expansion from an estimated capacity of 3.5 million kW in 1955/56 to 6 million kW in 1960/61, when the demand for electricity is expected to reach 20,000 million kWh.

In Pakistan, installed capacity was estimated at about 260,000 kW (197,000 kW of thermal power and 63,000 kW of hydro power) in March 1955, as compared with 224,000 kW in March 1954. Large-scale projects such as the Karnaphuli multi-purpose project (160,000 kW) in East Pakistan, the Warsak project (150,000 kW), the Mianwali project (100,000 kW) and the Punjab project for tube wells (81,000 kW) were making satisfactory progress. Upon completion of these and other projects, the total generating capacity is expected to reach about 80,000 kW.

In the Philippines, the output of the Manila Electric Company increased in 1954, as a result of expanded facilities, by 11.7 per cent and the same trend continued in the first quarter of 1955. The Ambuklao hydro-power project on the Agno River in Luzon, with an initial capacity of 75,000 kW, and a second unit at the Maria Christina scheme in Mindanao, with a capacity of 25,000 kW, are expected to start production in 1955. Further, in anticipation of greater industrial needs, the construction of a fourth unit at Rockwell station, with a capacity of 32,000 kW, has been started.

In the other countries of the region, with the exception of Viet-Nam (south), power output has increased. In Burma, consumption of electricity in the Rangoon area during the second half of 1954 was 9 per cent higher than during the first half, and 12 per cent above the corresponding period in 1953. Start has been made on the establishment of No. 2 plant of Balu Chaung River project with an ultimate capacity of 84,000 kW. In Ceylon, output of electricity increased to 168 million kWh in 1954 from 144

million kWh in 1953. Stage IIA of the Aberdeen-Loksopana hydro-electric project, designed to double the existing capacity of 25,000 kW, started construction in the fall of 1954, with assistance from the International Bank which has sanctioned a loan of \$19.1 million for the project. In Hongkong, electric power output registered an increase of 14 per cent in 1954 and continued to rise modestly in the first quarter of 1955. In the Republic of Korea, power generation reached 900 million kWh in 1954, an increase of 23 per cent over the 1953 output of 732 million kWh in the first quarter of 1955, the output was 17 per cent above the level in the same quarter of 1954. In the Federation of Malaya and Singapore, output rose to 1,192 million kWh in 1954, or 13 per cent above the level in 1953. In Thailand, production of electricity in Bangkok and Thonburi increased considerably in 1954. The present generating capacity of 41,400 kW is likely to be augmented by 10,000 kW, when the Tung Mahamek diesel generating station is completed in 1955/56. Moves have been made to secure foreign capital for financing the Yan Hee hydro-electric project on the Ping River, which will have a generating capacity of 320,000 kW.

Iron and Steel

Owing to improved demand, there has been a considerable increase in the output of iron ore in China, India and Japan; also in the Philippines, Malaya and Hongkong, the larger part of whose output is being exported to Japan. Production of pig iron and steel concentrated mainly in Japan, China and India, increased substantially during the period under review, on account of growing foreign demand for Japanese steel and increased domestic demand arising from the implementation of development projects in China and India. Several other countries, particularly Pakistan, are also proceeding with plans to develop their own iron and steel industry.

In Japan, the rate of increase of iron and steel production slowed down in 1954; nevertheless a new peak was reached at 7.74 million tons of crude steel, a slight increase over 7.66 million tons produced in 1953. There was some sluggishness in domestic demand in the first half of 1954, but a marked rise in exports in the second half of the year acted as a buoyant factor. Export of iron and steel increased substantially from 853,000 tons in 1953 to 1,239,000 tons in 1954. Export demand may well push up Japanese production of steel to a new peak level during the current year. During the first five months of 1955, production of crude steel was estimated at an annual rate of 9.1 million tons. With the completion of the first modernization programme in March 1955 there was much improvement in labour productivity, in production costs and in the quality of finished goods. The implementation of the second modernization programme has, however, been delayed, owing mainly to financial difficulties. Import of iron ore to Japan increased from 4.3 million tons in 1953 to 5 million tons in 1954. It is noteworthy that while imports from the United States and Canada decreased considerably, imports from producing countries in the region, including China, Hongkong, Malaya and the Philippines, increased from 2.9 million tons in 1953 to nearly 4 million tons in 1954.

In China, steel output is reported to have increased by 65 per cent from 1.35 million tons in 1952 to 2.23 million tons in 1954 and is further scheduled to rise to 4.12 million tons by 1957. The increase in steel capacity during 1953-54 was 427,000 tons, the total planned increase during 1953-57 being 2.53 million tons. In 1955, output of pig iron and crude steel from the state enterprises is expected to increase by 13.8 and 18.3 per cent respectively. In Taiwan, steel production increased from 27,600 tons in 1953 to

46,800 tons in 1954, through use of scrap iron and imported ore, processed largely in small electric-arc furnaces.

In India, production of finished steel rose from 1,024,000 tons in 1953 to a peak level of 1,243,000 tons in 1954 and continued to rise in the first quarter of 1955. Aggregate demand, however, exceeded domestic output and imports filled the gap to some extent. Steel imports (including those under the United States economic aid programme) amounted to 350,000 tons in 1954 as compared with 232,000 tons in 1953. As demand for steel is likely to increase substantially with the speeding up of the development programme under the Second Five-Year Plan, the government has provisionally agreed to a target of 5 million tons of finished steel for 1960/61. The Hindustan Steel Company's target has been raised from 500,000 tons of ingot capacity to one million tons. In February 1955, the government signed an agreement with the Soviet Union to build a one-million-ton plant at Bhilai in Madhya Pradesh, at a total estimated cost of £75 million, of which the Soviet Union will supply £33 million of machinery and equipment for repayment in rupees over a period of 12 years at an annual interest rate of 2.5 per cent. Negotiations are under way to establish another million-ton plant with British collaboration. The government has also authorized a further expansion of the Tata Iron and Steel Company for the production of ingots, and the company is negotiating a loan from the Export-Import Bank of the United States. There is also a proposal to step up the capacity of the Indian Iron and Steel Company.

In Pakistan, the Pakistan Industrial Development Corporation has concluded an agreement with a German company to build an iron and steel plant, with a capacity of 50,000 tons of crude steel in the first stage, to be expanded to 300,000 tons. Newly discovered iron ore deposits at Daud Khel may be able to supply 250,000 tons of ore, annually, to the projected plant.

Engineering

With the exception of Japan, the engineering industry in countries of the Far East is in its early stages of development. Rapid progress, however, has been achieved in India and China, which have ambitious plans to develop the industry. In Japan, output of machinery has been falling from the post-war peak level attained in 1953, when the index (1934-36=100) touched 267. In 1954, it declined to 258 and then at a faster rate to 216 in the first four months of 1955. Surplus capacity has emerged, it is said, owing to the impact of monetary and fiscal policy restrictions on domestic investment demand. Export industries, such as ship-building, have not suffered.

In India, satisfactory progress in the engineering industry was achieved in 1954. Out of 62 different lines of manufacture, 56 (including textile machinery and machine tools) recorded increases and only 6 experienced a slight decrease. Although the production of automobiles showed a decline, the ancillary industries, such as pistons and cylinders, registered an increase, through better utilization of existing capacity. In the draft Second Five-Year Plan, a high priority has been accorded to heavy machinery to fabricate plants and railway rolling stock. It is reported that India is aiming to be independent, as quickly as possible, of imports of producer goods.

In China, rapid development of the industry seems to be one of top priorities at present. Though the details are not yet clear the Five-Year Plan for the mainland provides for a rise in annual production capacity of 800,000 kW for power generating equipment and 30,000 units of motor cars by 1957 and 15,000 units of tractors by 1959. During 1954, the second year of the Plan, the production

of subordinate enterprises of the First Ministry of Machine Building Industry was reported to be 25 per cent higher than in 1953 and 13 times higher than in 1949. In 1955, government investment in the engineering industry is scheduled to be 40 per cent higher than in 1953. Work is reported to have been started on most of the 114 factories scheduled for construction this year. These include motor car, tractor, locomotive, steamship, heavy machinery, power generator, and machine tool plants. The main centres being developed are Shenyang (Mukden), Harbin and Dairen in the Northeast, and Taiyuan in the North. Official sources indicate that there are many difficulties, such as lack of modern technique and organisation, in the way of full development of the engineering industry in China. In April 1955, the Third Ministry of Machine Building Industry, which is to be responsible for guiding the local, as distinguished from national, machine and electrical engineering industries, was newly established.

In Pakistan, the ship-building and repairing industry received special attention. The Pakistan Industrial Development of the Karachi Ship Repair Yard and Khulna Dock Yard, the latter designed to meet the requirement of inland water transport in East Pakistan. The Karachi Ship Repair Yard is expected to be completed by the middle of 1955.

Cement

Cement is a rather extensively developed industry in the region, the major producers again being Japan, China and India. Demand has been increasing rapidly with progress in the implementation of various development plans. During the period under review (October 1954—March 1955) production increased in most countries along with expansion of capacity.

Output of cement in Japan increased from 8.77 million tons in 1953 to 10.68 million tons in 1954, through fuller utilization and also expansion of capacity. Output in October 1954 attained a record level at over one million tons. Since then, however, production has declined, owing mainly to seasonal fluctuation. There was considerable increase in export of cement which reached 905,000 tons in 1954 as compared with 795,000 tons in 1953. For 1955 the country's prospects are less bright under disinflationary conditions, unless exports expand considerably.

In China, cement output on the mainland is reported to have increased from 2.9 million tons in 1952 to 4.6 million tons in 1954. The First Five-Year Plan envisages further increase to 6 million tons in 1957, through installation of new capacity of 2.36 million tons. The increase in capacity up to 1954 was 650,000 tons. In 1955, output is scheduled to increase by nearly 23 per cent to 5.6 million tons. Major projects now being undertaken include Harbin No. 1 Cement Plant, a highly mechanized plant at Tatung, Lanchow plant in the Northwest and reconstruction of the Penki plant in the Northeast. In Taiwan, production of cement during the period under review, at an annual rate of 571,000 tons, showed a moderate increase over the 511,000 tons (annual rate) in the preceding six months.

In India, production rose from 3.84 million tons in 1953 to 4.46 million tons in 1954 and to an annual rate of 4.56 million tons in the first quarter of 1955. There were 25 units in operation, and 20 government-approved expansion schemes in progress. The export of cement is being gradually developed. The draft Second Five-Year Plan envisages a sizeable expansion in cement output from 4.8 million tons in 1955/56 to 10 million tons in 1960/61.

The Cement Corporation of Afghanistan, with a credit of \$5 million provided by the Government of Czechoslovakia, is building three cement factories in Kabul, Pul-i-Khumri and Herat, each with a daily capacity of 100 tons. These

factories are expected to start production by the middle of fiscal 1956/57. In Burma, with operations at the Thayetmyo plant at capacity level, production during the period under review remained constant at an annual rate of 59,000 tons. Annual capacity in Burma will increase to 120,000 tons in 1956, with the completion of the present expansion of the Thayetmyo plant. In the Republic of Korea, with the progress of the rehabilitation programme, production of cement rose from 44,000 tons in 1953 to 61,000 tons in 1954. In Pakistan, production rose from 604,000 tons in 1953 to 685,000 tons in 1954 and to an annual rate of 720,000 tons in the first quarter of 1955. Two cement factories, one at Daud Khel and the other at Hyderabad Sind, with a total capacity of 340,000 tons a year, are being set up. The Daud Khel factory is expected to commence production in the third quarter of 1955 and the Hyderabad factory in June 1956. The Chattak factory in East Pakistan is expected to raise its annual capacity from 50,000 to 125,000 tons by the middle of 1956. Cement production rose at varying rates in Ceylon, Hongkong, Malaya, the Philippines and Thailand.

Chemicals

The production of chemicals is concentrated largely in Japan, India, and China, with basic chemicals and fertilizers as the major items. In Japan, chemical industries continued to expand with a slight slowing down of the rate of expansion. The output of chemicals increased by 18 per cent between April 1954 and March 1955. In March-April 1955, it attained a record at thrice the pre-war level. Production of chemical fertilizers, especially of ammonium sulphate, super-phosphate and urea, increased substantially in 1954. Annual capacity of ammonium sulphate increased by nearly 70 per cent from 1,864,000 tons in March 1951 to 3,111,000 tons in March 1955. As priority is given to domestic consumption of chemical fertilizers for growing more food, Japan could not increase its exports substantially in 1954, in spite of the progressively increasing demand for nitrogenous chemical fertilizers in overseas markets. Production of other chemicals such as soda ash, caustic soda, sulphuric acid and other mineral acids also continued to increase in 1954, and in the first quarter of 1955.

In India, 97 out of 134 items of chemicals at present manufactured recorded increases in output in 1954. New production capacity in several basic chemicals was established and several new lines commenced production. The Sindri fertilizer factory, which was established in 1951, attained its capacity production of 350,000 tons per year in 1954. Projects to establish two more fertilizer factories of a size and capacity approximating those of Sindri, besides expansion of Sindri capacity by 40 per cent, are under consideration. Considerable progress was also achieved in the production of dyestuffs and pharmaceuticals, as also in DDT and penicillin. The revenue duties on caustic soda and various dyestuffs were converted into protective duties, while the duty on certain intermediate products used in the manufacture of dyes was reduced.

In China, the development of chemical industries is still on a moderate scale. However, an increase of 42.8 per cent in the production of chemicals in 1954 was reported: the output of sulphuric and hydrochloric acids and pure and caustic soda increased by about 40 to 60 per cent. In 1954 chemical fertilizer plants under the Chemical Industry Administrative Bureau produced 38 per cent more than in 1953 or 12 times as much as in 1949. In 1955 two-thirds of the annual government investment in the chemical industry is reported to have been earmarked for developing chemical fertilizers, whose supply is planned to increase by 11 per cent. The First Five-Year Plan envisages an in-

crease of 280,000 tons in the annual output capacity of chemical fertilizers. In pharmaceuticals, output of procaine penicillin in 1955 is expected to be four times that in 1953. Production of chloromycetin would start in 1955. In Taiwan, chemical industries, particularly fertilizers, have an important place in the Four-Year Industrial Development Programme. The output of chemicals and chemical products in 1954 rose by 14 per cent above 1953, with a further increase in the first quarter of 1955. Production of sulphuric acid increased from 45,000 tons in 1953 to 51,000 tons in 1954, and of caustic soda from 10,000 to 14,000 tons.

The construction of a caustic soda factory in Waru, East Java, Indonesia, was delayed, but the plant is expected to be in operation in 1955. A D.D.T. plant having an annual capacity of 711 tons of 100 per cent D.D.T. was established at Nowshera, Pakistan. Two caustic soda plants sponsored by the Pakistan Industrial Development Corporation with a total capacity of 20 tons per day went into production in early 1955. Two sulphuric acid plants were under construction at Chandragona and Lyallpur. The Lyallpur plant capacity will be used for manufacturing superphosphate, amounting to 6,000 tons in 1955. The Daud Khel Sulphate Fertilizer Plant with an annual capacity of 50,000 tons is now under construction with the United States aid, and is expected to go into production by the middle of 1956. In the Philippines, output of chemicals registered a moderate increase of 5.4 per cent in 1954. A carbide pressing plant and three pharmaceutical plants were recently established.

Textiles

During Oct. 1954-March 1955, there was rapid expansion in capacity and production of cotton textiles in China, Pakistan, Korea (south), Burma and Afghanistan; as a result, exporting countries, Japan, India and Hongkong, were faced with accumulation of stocks and the necessity of having to find new export outlets.

In China, output of cotton textiles is reported to have increased by 37 per cent from 112 million bolts in 1952 to 153 million bolts in 1954. The First Five-Year Plan in operation envisages a further increase to 164 million bolts in 1957; 700,000 spindles are reported to have been installed during the first two years of the Plan, the total planned installation being 1,650,000 spindles. Among the mills projected under the Plan, four mills, with 50,000 spindles and 1,000 looms each, went into production in 1954 and four more with double that capacity are scheduled to go into production this year; designs are ready for the construction, starting this year, of another four mills. A part of the increased production is reported to have been exported to some countries in Asia and Africa through Hongkong. In Taiwan, textile production in 1954 rose by 26 per cent above 1953. In the first quarter of 1955, however, output of cotton fabrics declined to 134.4 million metres, at an annual rate, as compared with 151.2 million metres (annual rate) in the corresponding period in 1954. There have been signs of unutilized capacity due to the limited size of the domestic market.

In Pakistan, capacity and output of the cotton textile industry have both continued to expand. In the year ending March 1955, the number of spindles increased from 793,000 to 1,316,000 and looms from 11,911 to 18,427. The target of 2 million spindles is expected to be reached during 1955. Output of cotton yarn and cloth increased by 48 and 22 per cent respectively, to 103,200 tons and 348 million metres at annual rates, between the fourth quarter of 1953 and the fourth quarter of 1954. It is estimated that at the end of this year Pakistan will be self-sufficient in

coarse and medium cloth. Government has reduced cloth prices by one eighth; it has also removed price- and distribution control over cotton yarn.

In Korea (south), spindleage has nearly doubled from 177,000 in December 1953 to 352,000 in April 1955, with consequent rise in cotton yarn output by 64 per cent in 1954. The improvement in the supply of electricity was another factor responsible for the increase.

In Burma, production of cotton yarn in the Government Cotton Spinning and Weaving Factory decreased to 755 tons during the period under review, as compared with 870 tons in the same period a year before, owing partly to spinning of higher counts.

In Afghanistan, cotton textile output increased by 5 per cent during the period under review, as compared with the same period a year before, when it amounted to 10 million metres of cotton piece-goods and 1,000 tons of cotton yarn.

Among the exporting countries, Japan in 1954 increased its output of cotton fabrics to 2,664 million square metres, or by 13 per cent as compared to 1953, and its export by 40 per cent; however, because of weakness of the domestic market, stocks went up simultaneously by 70 per cent. In the world market, Japan established a new post-war record in 1954 with the volume of its cotton textile exports at 1,069 million square metres, as compared with 764 million square metres in 1953. In spite of the substantial increase in exports, the cotton textile industry suffered from over-production arising from sluggish domestic demand. The situation deteriorated in the first quarter of 1955, when exports leveled off, partly owing to revision of the import link system. In March, stocks of cotton fabrics and yarn registered a post-war peak at 468,000 bales. As a result, the operation rate was reduced from May onwards to 88 per cent, in accordance with recommendations made by the Ministry of International Trade and Industry.

In India, production of cotton textiles continued at a high level, with improvement in exports in 1954. Total production exceeded 6,000 million metres—nearly 4,572 million metres by the mills and 1,463 million metres by the handlooms. The quantity of mill cloth exported was about

736 million metres in 1954, as against 542 million metres in 1953. A Cotton Textile Export Promotion Council was established in October 1954. Recently a mission with the object of promoting exports of Indian cotton cloth was sent to countries in Asia. Although the cotton industry in India seems to compete favorably in the world market, exports of cotton piece-goods in the first quarter of 1955 at 176 million metres were well below the figure of 213 million metres in the same period of 1954. The decline was due to lower imports by African and Asian countries, now in process of establishing their own cotton industry. The buoyancy of the domestic market has, however, absorbed the slack in exports. The draft Second Five-Year Plan envisages a doubling of the output of khadi and handloom cloth, alongside a moderate expansion in mill cloth by about 10 per cent.

In Hongkong, there are at present 17 cotton spinning mills operating a total of 247,000 spindles. Output of cotton yarn continued at the high level of 42,000 tons, at an annual rate, in the fourth quarter of 1954, but fell slightly to 38,400 tons (annual rate) in the first quarter of 1955. Exports of cotton yarn and piece-goods decline slightly in the first four months of 1955, as compared with the same period in 1954.

Jute textiles output in India increased from 883,000 tons in 1953 to 943,000 tons in 1954. With the increase in world demand for jute goods, exports in 1954 rose to 842,000 tons, as compared with 747,000 tons in 1953. With a view to meeting the growing world demand, the jute industry increased the weekly working hours from 42.5 to 45 hours in July and further to 48 hours in October. In Pakistan, jute goods production declined in the second and third quarters of 1954, but recovered during the following six months. Output was at an annual rate of 75,600 tons in the fourth quarter of 1954, as compared with 50,400 tons in the third quarter. Rapid expansion of capacity continued, and the target of 6,000 looms set for completion by 1957 under the Six-Year Development Programme was expected to be reached by the middle of 1955. In 1954, 11,000 tons of hessian and sacking were exported.

(To be Continued)

FAR EASTERN NOTES

SQUATTERS IN MANILA

Each individual in Manila's two million population should have available to himself 25.5 square meters of the city's living space. But the actual facts have a way of not conforming to simple statistics. Actually Manila's inhabitants are clustered in and around downtown districts, in areas so cramped and disease-ridden that they can hardly be called living space. Largely this condition is caused by the fact, recorded by the City Engineer's Slum Clearance Section, that 4,588 shacks, barang-barongs and lean-to's in the city house squatters.

Before the war, squatters existed but not in such numbers as to create a municipal problem. According to Fe Rodriguez Arcinas, writing in the Philippine Sociological Review, multitudes of new squatters were created when war laid waste vast city lands. Others trooped in from the provinces, expecting a surplus of work and liberally-doled GI money. The meager strength of the government was already drained by more pressing problems. Persons who owned lots that were larger than they needed, often allowed others to settle down on land conveniently scattered with

rock debris, GI pup tents, wooden crates, and odds and ends of lumber. In some cases, the property of the dead or absent was occupied. Many squatted in the ruins of buildings, churches, hospitals, and embankments of the old Intramuros walls, to save on housing materials. Others chose school buildings with fences, playgrounds, toilet facilities and excellent water supplies. Unused streets, the wide spaces of the port area, the city dump in the Sampaloc lowlands, the esteros of the Pasig river branches—everywhere, shacks and shanties mushroomed.

At first, when cases came to court, officials for humane reasons were reluctant to eject squatters from private or government land. Gradually, however, as the need for action became more apparent and areas for transfer grew, squatters were ejected in larger numbers. (Although many returned to the provinces, just as many squatted on new locations). By the beginning of 1955, most of Intramuros, school sites, parks and street areas had been recovered, the shanty towns demolished. However, although over half the original total of 10,531 squatter "households" had been destroyed by the government, squatters still nested heavily in esteros (over 1400 "households" still stood, ten months ago),

in the port areas, on city government property, and along the Pasig river.

About 95% of these groups are provincianos—Visayans, Pampangos, Ilocanos, and Bicolanos. People from the same provinces have inclined to squat together, where they can speak their own dialect; continue their customs, vices and eating habits; and sing their own songs. However, the children of such families use Tagalog communicating with one another—and often speak the national language better than their parents who retain their peculiar provincial intonations, pronunciations, etc.

Squatters (and low-salaried government employees) are now accommodated by five Social Welfare Resettlement and Housing Projects, all of them in either outlying sections of Manila or in nearby suburbs. The hope is thereby to alleviate downtown congestion. To date Bagong Buhay (at South Bago Bantay, Quezon City) has only the FOA-Philcusa toilets and office buildings on it, although the beginning of construction has finally been announced. The land already has been divided into lots for 994 families. Bagong Barangay (Pandacan, Manila) has 117 buildings, 11 stores and a building for the project manager's office. Bagong Pag-asa (East Bago Bantay) contains 770 lots, each 240 square meters, particularly for squatters ejected from Tatalon, Quezon City. The Grace Park Resettlement Project has 50 square meter lots, allocated to 147 families of 836 individuals. These were squatters ejected by the San Miguel Brewery from the Parola Compound, Tondo.

The Bago Bantay project (North Bago Bantay) was the earliest to be occupied. The SWA began relocating some 164 families there, totalling 863 persons, in 1951. Settlers came chiefly from Sta. Cruz, Nagtahan, Port Area, FEATI, Bonifacio Drive, Sampaloc, Pasay, and parts of Quezon City. The original tenants of Bago Bantay were 25 families who possessed and improved the land for from 10 to 20 years, without written evidence of ownership. Between 1934-39, this land—a Tuazon estate—was sold to the People's Homesite and Housing Corporation, and the old tenants driven out. During the war, however, they resumed farming on the old site; and in 1951 were awarded the same privileges as the newly transferred squatters. Every family was allotted 40 square meters, although the National Urban Planning Commission had recommended 200 square meters for gardens, poultry and livestock. When the danger of creating another slum district finally was clear, the recommendation at last was followed.

Today the 82.5 hectares of Bago Bantay accommodate 1,053 families or 8,400 people in makeshift dwellings. According to Fe Rodriguez Arcinas, "The average barang-barang is about four square meters and usually consists of one all-purpose room." Temporary toilets—pits with cement seats on top—are used by 80 families; the rest use shallow pits and river banks. The area has no modern sewers. Candles and gas lamps supply the lighting; water comes from 8 artesian wells.

About one-third of the children of school age are not in school. The SWA conducts a kindergarten; classes are also conducted for grades one to four. Other students are forced to go to San Francisco del Monte or a Catholic high school half a kilometer away—or stay at home! Regular masses on Sunday and holidays, free marriages, baptisms and catechetical instruction are provided by San Jose Seminary nearby. A medical and dental clinic and a pre-natal clinic serve the residents. UNICEF advises on sanitary conditions.

Only about 20% of the residents are regularly employed at such a distance that a bus ride is necessary; but no one's work is located in the neighborhood. The average monthly income is P50; the average among the regularly

employed is P120; the highest is P200 a month. The typical family has only one wage-earner. Although the SWA gives rice, sardines and milk, the people's needs are still greater than their income. Very few can afford the minimum monthly rent of P23. The problem of the squatter, though lessened, continues.

— Lourdes C. Santos

MODERN MANILA

It is an incredible feat of human determination that Manila, almost totally razed by the devastation of occupation and by an assault to free the city, once again towers against historic Manila Bay. The city has undergone a thorough face-lifting during the past years—better still, it has been subjected to an architectural operation of plastic surgery. Beyond Intramuros lies modern Manila which has a color and atmosphere to be admired and enjoyed. It is a city that has succumbed to Western ways, although retaining its quaint Oriental flavor. It is a fast-growing modern city with a veneer of sophistication and a polyglot of attractions stemming from Malayan, Chinese, Spanish and American influence.

To the north of the Pasig, the river which divides the city in half, is the business section with its tall concrete buildings which have changed Manila's skyline. The streets of Manila offer an interesting panorama. With their heavy vehicular traffic, cosmopolitan crowd, loud signboards, the streets of Manila make a colorful picture indeed. To the south are the residential districts, with wide tree-lined streets, fashionable residences, old families. These are the places which best epitomize the leisurely Filipino tempo, the quiet grace and dignity, complementing in its own unobtrusive fashion the true character of the city.

Escolta, on the north bank of the Pasig River, is the "Fifth Avenue" of Manila in miniature. The main and favorite shopping center of the elite, Escolta displays in its attractive shops and department stores almost every item of imported and Philippine wares. Rizal Avenue, one of the longest streets in Manila, is a veritable beehive of activity with modern shops, theatres, hotels, restaurants, schools and business offices along both sides. Its arched sidewalks are crowded with people from all walks of life almost at all hours of the day. Juan Luna Street, with its tall, modern offices, is the banking sector of downtown Manila where leading business firms are located.

Chinatown in the vicinity of Escolta, is one of the most colorful and interesting spots in downtown Manila. It retains its peculiar noises and odors and nondescript shops of distinctly Chinese features. Yangco Market on Juan Luna Street is a picturesque trading center of Philippine pottery, wooden clogs (bakya), baskets and miscellaneous assortments of Philippine-made goods. The Central Market on Quezon Boulevard has a garden section with exotic plants and orchids. San Sebastian Church on Plaza del Carmen, Quiapo, of pure Gothic architecture, is the first pre-fab steel structure in existence. It was brought in parts from Belgium and erected in 1891. It is one of the few churches in Manila that escaped destruction during the war. University of Santo Tomas is the famed and oldest educational institution in the Philippines. Built in 1611, it is older than Harvard by twenty-five years. Used as a concentration camp by the Japanese during the war, more than 5000 American and allied civilian prisoners suffered privations within its compound.

Malacanang Palace, traditional residence of Spanish and American governor-generals is now the official residence of the President of the Republic. This historic building combines the best features of Spanish, American and Filipino

art in architecture. Its tastefully ornamented halls and chambers, wide lawns and sprawling gardens, and typical tea house represent the ultimate in Philippine art and tradition. Luneta Park, the famed and wide park bordering Manila Bay, is the rendezvous of people in the afternoons to inhale invigorating breeze and to admire the incomparable Philippine sunsets. Dewey Boulevard, which is more than six kilometers long and skirting Manila Bay, is the most beautiful driveway anyway in the Orient. It has lately become more popular as a nightclub row. Along it may be found the best appointed night clubs famed for their high class entertainment.

Rizal Memorial Stadium, seat of all kinds of sports and athletic competitions in the Philippines, is comparable to the best abroad. It was the site of the Asian Olympic Games held in 1954. Jai Alai, the home of the "game of a thousand thrills," on Taft Avenue, will give the visitor an evening to remember. The famous Sky Room atop the building will afford the visitor a taste of Manila's gay night life.

Outside Manila and within easy motoring distance from the city are: the quaint little town of Las Pinas, in whose church is seen the famous bamboo organ built over 100 years ago, entirely made of bamboo and the only one of its kind in the world; the Balara Filters, source of Manila's water supply, with its beautiful park and playgrounds; the University of the Philippines in Diliman, Quezon City, and its new buildings and spacious campus; the swimming resorts in Paranaque and in Cavite, with resthouses and dancing pavilions; Tagaytay City, which offers the visitors breathtaking views of Lake Taal and Taal Volcano from a ridge 2,000 feet above sea level; and Los Banos, with its Makiling Botanical Gardens, containing specimens of trees, shrubs, flowers, and orchids of the Philippines.

MILK IN BURMA

Fresh, wholesome milk for everyone is the aim of the Burmese government. Realizing that milk is an almost perfect food and that Burma's inadequate supply and high prices are detrimental to the good health of Burma's citizen, the progressive Burmese government has undertaken the project of building a dairy industry. This is part of Burma's Pyidawtha Plan, a ten-point plan for providing immediate and long-range benefits for the country. The State Milk Farm has been established in the outskirts of Rangoon, as a step toward improving the health of the people. It will also bolster the economy of the country, since the importation of condensed, evaporated milk, butter and cheese has been a drain on the country's foreign exchange.

The first steps in Burma's milk cattle breeding project were taken in 1952, when students were sent abroad to study dairy farming and processing. Milk cows were imported at the same time to start the herd, and the model dairy farm was established. One of the major difficulties in starting a dairy farm in Burma was lack of grazing land. To provide sufficient food, the Ministry of Agriculture and Forestry, Rural and Country Development, with the help of the University of Rangoon, developed a feed for the cattle that insures high fat content of the milk. The scientifically prepared food, now standardized for the State Milk Farm, consists of flour, sesamum oil seed husks and husks from Indian beans. In addition to solving their own feeding problems, the Burmese feed research has given the world valuable information on the feeding of dairy cattle in tropical areas.

To properly process the milk, pasteurizing and sterilizing methods were studied. Because pasteurized milk will only last eight hours without refrigeration and sterilized milk does not require refrigeration, sterilizing equipment

was purchased and a milk sterilization plant was constructed. To date, the limited milk production is carefully guarded for new-born babies, their mothers and other patients in Rangoon's hospitals, whose speedy recovery is dependent upon a vitamin-rich, nutritious diet. To meet the milk needs of only hospital patients, young children and students, the Burmese government estimates that between 24,000 and 27,000 dairy cows will be needed. However, Burma's State Milk Farm, with its herd of 350 milking stock and more than a hundred cattle in the drystock farm, is only the beginning. The eventual goal is plenty of milk for all.

THE FORESTS OF BURMA

The forests of Burma constitute one of the greatest national assets of the Union and are among the richest in the world. Considerable damage was done during the war and the insurrection that followed. Areas that remain within the effective control of the Forest Department are being managed on accepted principles of scientific forestry. Scientific forestry was introduced and the Forest Department founded in Burma as far back as 1856 by a German called Dr. (later Sir) Dietrich Brandis, who received his forestry training in Germany. The Burma Forest Department thus came to be the oldest forest department in the whole of the then British Empire. Most people associate the Forest Department with revenue production. Scientific forestry never aims at administration of the forests for revenue purposes only. Though it is true that the department quite often turns over about eighty to one hundred lakhs of kyats surplus revenue, thus relieving the people from heavier taxation, the more important function of the department is conservation of forests. It has been said that the health and economic security of the human race depend on how well the forests of the world are managed. The forest policy which has been in force in Burma since 1894 has as its core, its opening words: "The sole object with which State Forests are administered is the public benefit."

No greater public benefit can be conferred by forests than that of preventing flood and drought. Unregulated cutting even for revenue or for taungya cultivation, can confer only a fleeting benefit which, if continued, can bring disaster in its wake, such as floods, drought, soil erosion, fall in land value, and so on. Water is the source of life to a man dying of thirst or a farm needing irrigation, but it can also be a deadly enemy to all life when uncontrolled by essential forest covering.

The fact that the Forest Department does not neglect the welfare of the villagers is evident from the setting aside of considerable areas of forests known as "Local Supply Reserves". These reserves are maintained near village-tracts and protected solely for the benefit of the rural population who are mainly agriculturists. In these forests, only the kind of tree species which are likely to be useful to poor villagers are grown—and not valuable trees like teak which only the rich can afford. A villager's requirements such as poles for his hut, firewood for his cattle and himself, bamboos for his flooring and walling, fishing and agricultural implements and so on, though simple, must be made available to him as cheaply as possible and as near to his village as possible. This is what is being catered for by the Local Supply Reserves which are often run at a loss to the Forest Department. There exists a "Working Plan" duly approved by the Government for every forest division in the Union. They prescribe plans of operations for a number of years—usually ten. Expired plans are being revised at present. The management of the Union forests, the foundations of which were well and truly laid by Brandis, and carried on by successive generations of a

trained forest service, can bear comparison with that in any country in the world.

Teak, before Independence, was worked by several agencies, 80 per cent by European lessees, 12 per cent by small-scale licensees, 5 per cent by Government, and 3 per cent by indigenous lessees. Now that the forests have been nationalized, the State Timber Board has taken over forests from European and indigenous lessees and Government agencies. Hardwoods other than teak continue to be worked under short-term agreements by fairly well-to-do nationals and under licenses by others with limited means. Forest operations cannot be carried out on a full scale owing to presence of insurgents in certain forest areas.

Since Independence, ten scholars completed their forestry education abroad and have joined the Forest Department. Some are still abroad. The Rangoon University produced its first postwar batch of seven forestry graduates during 1953. They have also been given employment in the Forest Department. Many are still under training at the Rangoon University. The Burma Forest School which was temporarily opened at Insein, has been shifted to Maymyo.

Though the Burma Forest service has established a high reputation in the East, lack of facilities for research work has long been felt. A new forest circle under the designation of Forest Research and Training Circle has been created. With American aid, projects for the establishment of a research institute and a college for training of rangers were proposed. Some machinery, scientific instruments and books had been received. The Union Government is now implementing the projects. The Food and Agriculture Organization of the United Nations undertook to investigate the possibilities of using bamboos, which are plentiful in Burma, and the kinds of timber hitherto regarded as almost useless. A pilot plant for impregnation and quick seasoning of wood has been received from FAO and was installed by FAO experts in the Government Timber Depot, Rangoon. This pilot plant forms a nucleus of a potential large-scale industry which will contribute a major share in solving the national housing problem.

TAIWAN CRAFTS

An aborigine with a long memory can recall the days when the tribal people from the hills of Taiwan were feared because of their warlike ways, but today young aborigines follow more peaceful paths and worry about making a living, just like the lowlanders who are now their friends. There are nine aborigine tribes in Taiwan, and about 90,000 aborigines. They are being shown how to farm better and how to care for animals. Schools are being set up and outlets found to sell their handicraft. Their traditional looms have been improved and there are many new, small factories.

Most of this help comes from the Aboriginal Area Department of the Taiwan Provincial Government. In addition, many civic organizations have taken cultural and educational projects to the tribespeople. For instance, one group sent a troupe of entertainers on a month's tour of the isolated uplands. Five young tribeswomen who had been trained in the lowlands volunteered to go along.

The aborigines' wood carvings, pottery and baskets are handsome but until recently there has been no way for aborigines to find a market. Now a group of American women living in Taipei are running a shop, under government sponsorship, for tourists and other customers.

Until the Taiwan Craft Shop started operating, many Taiwanese could not sell the beautiful wares they made. For no matter how good a craftsman may be, he still needs a market. He needs to know, in the first place, what pro-

ducts will sell, and then to find prospective buyers. These marketing problems are solved for many Taiwanese now by the Taiwan Craft Shop in Taipei, a joint undertaking of the Chinese government, the United States Foreign Operations Administration and other aid programs and a group of American women living in Taiwan who have volunteered their time and efforts to help.

With such sympathetic supervision, many Taiwanese craftsmen have improved the styling and quality of their products and invented new ones. The idea is to develop crafts that are appealing and readily saleable locally and for export. The shining brass candlesticks, the sturdy woven baskets, the pottery and wooden pieces, all of Taiwan materials, are collected by the Americans as they travel about Taiwan or sent in by craftsmen who hear about the shop. Many aborigines send in wares. All told, about 2,000 people are making money through the Taiwan Craft Shop. A success from the start, the Shop showed a profit after only ten months. It operates as a tax-paying business, but it does not compete with other shops as the prices are slightly higher and profits are divided equally between the government's trading program and various charities.

CAMBODIAN FISHERMEN

In Cambodia, as in most other Asian countries, fish is a main staple of the diet—and Cambodia is a country rich in fish. There are two kinds of fishing in Cambodia, fishing for the needs of one's immediate family, which is carried on in ponds, rice paddies and along the smaller streams and rivers, and the fishing industry which is a major factor in the nation's economy. For Cambodia's industrial fishing a government-controlled co-operative has been established to assure the fishermen a fair price for their catch. The stockholders in this co-operative are the fishermen themselves. A government-appointed director supervises the drying, packaging and shipping of the fish.

Cambodia's Great Lake (Tonle-Sap) abounds in fish and the fishing is good along the banks of the Mekong River. The fishing season begins in December and continues until April. During this season—Cambodia's dry season—the waters are flowing from the lake region down the Mekong to the Gulf of Siam.

The fishermen gather in groups along the banks of the river and at the same time rows of sampans are stationed in the middle of the river loaded with nets of varying lengths from 100 to 200 meters. The nets are stretched across the river enabling the fishermen to catch a large percentage of the fish that are travelling with the current. When the heavily-laden fish nets are pulled in, the boats come in to the floating wharf on the co-operative waterfront to unload their fish for drying and processing. Freshly-caught fish from outlying villages are taken by truck to the co-operative. Each basketful of fish is carefully weighed to assure the fisherman his just wages and percentage of profits realized from the sale of the fish.

Several acres of bamboo thatch drying surfaces are available at the co-operative. During the height of the fishing season this area is always full. When the fish are thoroughly dried, they are moved into a warehouse where they are later packaged for shipment.

About 20 people are regularly employed at the co-operative to direct and supervise the coolies' handling of the fish. The number of coolies employed is not fixed and varies with the season. During the early part of the fishing season, before the fish are dry enough for processing, there is little activity at the co-operative and only about 30 coolies are employed. After February, when the co-operative begins

PROSPECTS FOR JAPANESE ECONOMY IN 1956

The government's disinflationary policy, adopted late in 1953, resulted, from the second half of 1954, in a growth of export trade and a betterment of the nation's payments position; and this year the slow movement of funds in the money market is now making it possible to obtain bank loans at lower rates. At the same time, the spread and acceptance of the deflationary attitude continues to hold down domestic demands for industrial investments. Consequently, much cannot be expected of purely internal factors contributing toward any further betterment of business activity.

Business circles therefore are looking to the Government to undertake, in fiscal 1956-57, some positive measures for the generation of prosperity; while the Government itself is making it clear that, with fiscal 1955-56 considered to be a period of stock-taking and spadework, and although the policy of disinflation will continue to be adhered to, it intends from fiscal 1956-57, to pursue a course set in various ways for attainment of a balanced expansion of the economy.

Nevertheless, it seems that there are considerable differences of opinion among those who are in charge of implementing this Government pledge. For one thing a considerable deficit is already anticipated in the Budget for fiscal 1956-57, and the manner of dealing with this deficiency has become quite an issue. According to estimates made by the Economic Planning Board the deficit in the Budget General Account for fiscal 1956-57 is expected to be about ¥37,300 million. But the Finance Ministry claims that the General Account deficit will be from ¥50,000 million to ¥70,000 million, while a deficit of from ¥20,000 million to ¥40,000 million is expected to result in the fiscal investment accounts.

One method of dealing effectively with such huge deficits while keeping the economy headed toward balanced expansion would be to issue such securities as industrial bonds, Development Bank debentures, and Export-Import

working at top speed, between 100 and 300 coolies are needed to handle the load of fish.

Many women are employed by the co-operative to pack the dry fish in bamboo containers for shipping. Last year, over 10,000 tons of fish were handled by the co-operative. The principal markets for the fish are the cities of Phnom Penh, Saigon, Singapore and Hongkong.

The cooperative holds an annual meeting at the close of the fishing season. An account of receipts and expenditures for the year is made to the fishermen-stockholders who now number about 250. When the profits for the year are determined, the fishermen receive a bonus which is determined by the records which are kept of the amount of fish which they have brought to the co-operative. There have been steady profits for the fishermen ever since the co-operative was established 15 years ago.

It is through the joint efforts of the fishermen and the government-controlled co-operative that it is possible adequately to process the thousands of tons of fish which can be caught during the season. The Cambodian fishermen refer to their fishing season as a campaign—a campaign in which each year they strive to catch, process and sell more fish. The desired result of the campaign is not only that the fishermen and their families may live better but also that the economy of their newly-independent country may prosper.

Bank debentures. This plan was strongly advocated during the last session of the National Diet by the Liberal Party; while more recently Liberal Leader Mizuta stated to businessmen in the Osaka area that he favors sales of industrial bonds. Minister Ishibashi of International Trade and Industry disclosed that he would advocate the issuing of government bonds for acceptance by the Bank of Japan.

Nevertheless, there is considerable unanimity of opinion that the time is not yet ripe for any increase in the public debt through issuance of bonds and the like. Not only the Finance Ministry, but the Ministry of International Trade and Industry, the Economic Planning Board, and the various organizations of business groups do not favor this method. In consequence another plan for utilization of private capital is gaining support within the Finance Ministry.

The view is that since demand for credits has ebbed, and the current outlook promises no tightening of this relaxed situation for the time being, there should take place a diminution of government-arranged fiscal investments; and that by continuing to permit the present downward trend in city bank loan rates to go unchecked a desirable stimulation of investment activities by private capital will occur. The Ministry's contention is that, even by this "laissez-faire" method, there should be no fear of careless lending because private funds will tend to be channeled into the better businesses that have successfully weathered the deflationary depression.

This is opposed by the Ministry of International Trade and Industry and the Economic Planning Board, their view being that with the present methods of regulating the flow of private capital by autonomous means, there is the danger of funds going into the less constructive fields of enterprise. Consequently, these government agencies urge that the fiscal investment formula be used as it has been to date; and it is pointed out that should deficits still be encountered the gaps could be covered by increasing the revenues obtained from indirect taxes and other sources, thus absorbing money from the public.

The third quarter (October through December) of the current fiscal year is expected, as was the case last year, to show excess payments by the Treasury of more than ¥200,000 million. Bank of Japan officials opine that should no countermeasure be taken this release of money may lead to an increase in careless lending, making it difficult to avoid a trend toward inflation. They urge therefore that the contraction of credit be undertaken through marketing operations by the Bank of Japan.

On the other hand, certain groups in the Ministry of Finance are advocating a gradual shift toward a working arrangement centered upon private capital; and these quarters contend that the surplus of fiscal funds should not be tampered with, that it is more important to allow a further drop in interest rates, and that Bank of Japan marketing operations should not be used to head off this trend. It is argued that in the event the Bank of Japan does engage in the selling of securities, the operation should be carried out in such a way that yields on the food bonds and foreign exchange bonds sold by the Bank are kept down as low as possible.

Thus, there is nothing to permit any accurate prediction as to how the divergent views concerning the policy for fiscal 1956-57 in respect of fiscal investment and credit

ECONOMIC LETTER FROM TOKYO

Foreign exchange accounts for September revealed a peak post-war surplus balance of \$82 million. Total receipts were also at a peak \$258 million (goods, \$191 m. plus services, \$67 m.) This swelled the excess receipts over payments balance to \$233 million for the 1st half (Apr.-Sept.) of the current F.Y. ending March 1956. Even the actual surplus (deferred payments as usance, etc. considered) stood at \$145 million.

The favorable foreign exchange turn-out (1st half) is largely due to the big export rise (up \$248 m. from the corresp. period of the previous year). The export level on an annual rate exceeds \$1,900 million (\$1,600 m. for last year). Moreover, invisible receipts were substantial (\$368 m.) aided by the unexpectedly large income from the Security Forces propped by rise in off-shore purchases and some increase in ocean freight receipts.

Commodity exports were pushed by domestic export efforts plus the persisting overseas business boom, and centered around ships, iron-steel and textiles to the dollar area.

Total payments reached \$1,111 million, a small rise of \$33 million over the same period of the previous year. Although invisible payments rose (\$39 m.) including interest payments on foreign debts, imports stopped at about last year's (same period) level. Import of raw cotton, machinery and crude oil dipped, but iron-steel raw materials and wool advanced. Import from the sterling area indicated a rise.

The dollar surplus was \$220 million and sterling, \$29 million. The open a/c showed a deficit of \$16 million.

Foreign Exchange Accounts

	F.Y. '55-'56 1st Half (Apr.-Sept.)	(In one million dollars) Previous F.Y. (corresp. period)
Receipts		
Goods	977	729
Services	367	428
(Security Forces) ..	(283)	(318)
Total	1,344	1,167
Payments		
Goods	951	957
Services	160	121
Total	1,111	1,078
Balance (Surplus) ..	233	79

The deposit-rising pace of all banks greatly exceeded the loan-rising pace during the upper half of the F.Y. ending March 1956, resulting in a general easing of the money market. During this period, deposits increased by ¥219,800 million, which exceeds the gain for the previous year (same period) by about ¥100,000 million. This rise in deposits was propped by the exceptionally large excess payments over receipts in Treasury financing (¥110,000 million; ¥28,000 m. for same period last year), principally from the Foreign Exchange Fund Special Acc't (about ¥90,000 m.), steady expansion in time deposits from rise

extension might be blended into a unified and constructive line of thought. In view of the fact, however, that Japan's economy has not recovered its health completely yet, and that there is a fear of any seeds of a monetary inflation sowed carelessly therein growing into a run-away spiral, the utmost care should be taken for preventing such an occurrence.

So, the probability is strong that other more optimistic views will be compelled to come around to the Bank of Japan's way of thinking; and the hard-won present position of the Yen will be guarded with zeal.

in popular savings incentive owing to economic stability, and gradual recovery in current deposits from the favorable turn in industrial fund position backed by export activity.

Loans during the same period gained by ¥105,400 million, slightly exceeding the rise (¥89,400 m.) for the deflationary, previous year (corresp. period). But, seen together with the upward movement in the production level, the loan-increase is considered extremely sluggish.

Reflecting this deposit-loan movement, there was a further substantial retirement (¥109,500 m.) of outstanding commercial bank borrowings from the Bank of Japan. Besides, loan rates were cut by 0.365% on June 10th followed by additional cuts for individual enterprises with prime ratings. Call rates weakened still further in October from continuous rise in fund volume (0.55% dip; from 7.12% at Sept.-end to 6.57%).

The above-described trend along financial normalization prompted the Nat'l Fed. of Bankers Ass'n's to set up an Investment and Loan Committee for formulating basic, bank loan policies. This move was motivated by (1) swelling bank fund accumulation causing bank readiness to accommodate long-term loans to essential industries which heretofore banks were forced to rely on fiscal financing and (2) bank desire to facilitate fund supply, in cooperation with Gov't policy, to essential industries contributing to Japanese economic self-support and its healthy development, from the standpoint of further consolidating and enlarging the gains achieved through the tight money policy.

Besides the above, the Committee will consider co-ordination of bank and fiscal investment and loan policies as well as policies concerning absorption of bonds and debentures and other necessary matters.

This bank move is considered significant in expressing a certain degree of "credit-positiveness," which indicates a step forward from the previously held negative policy of checking non-urgent and less-essential loans. This shift in attitude is also seen in the move of the Bankers Federations' Voluntary Credit Control Committee to consider measures for extending credits deemed absolutely necessary, from the heretofore held policy of not making new plant and equipment loans.

The Voluntary Credit Control Committee will continue to exist side by side with the Investment and Loan Committee, both contributing to regularization and normalization of credit extension.

At their recent meeting held in the Finance Ministry, reports were made by the chiefs of regional finance bureaux throughout the country on conditions of their respective provinces. In summarizing the reports, the general conditions may be described as follows: (1) As a result of policies for sound economy pursued since late 1953, business management has gradually been stabilized, especially in export industries. (2) Because of a bumper rice crop and the incoming of the advance payments for rice under the pre-harvest buying system, the earnings of the farming population have increased, which are for the most part being reserved in savings after paying off agricultural bills or other farming loans. (3) While conditions differ by localities, unemployment is generally speaking not so serious as a year ago. (4) The local government finances are still running short of revenues and continue to be in the red.

Finance Minister Ichimada said it is yet too early to make any move for lowering the interest rates on deposits.

JAPAN'S BOOMING SHIPBUILDING INDUSTRY

Parallel with the similar industries in England and West Germany, Japan's shipbuilding industry is now experiencing the biggest boom in postwar years, much larger in scale than that seen in the so-called Korean War boom period, around 1951. About this time a year ago, the nation's shipbuilders were hard-pressed in a business depression, with many shipyards ceasing their activities. Out of the nation's 57 major shipbuilding yards, only 6 or 7 were in work, the rest of them being laid idle. This situation was a result of a combination of factors and circumstances. The most serious of them was the unexpected and long delay of the green-light signal given to the 10th shipbuilding program by the Government, due to the notorious shipping and shipbuilding scandals which rocked the foundation of the Yoshida Government last year. Month after month, the majority of the nation's shipyards were kept idle, with some of them on the brink of bankruptcy.

All of a sudden, however, this situation was changed in the closing weeks of 1954, and the long deserted shipyards became bee-hives of construction activities, with roaring sounds of electric hammers and moving gantry cranes intermingled with blinding glares from electric welding rods. This dramatic change of scene was brought about by the last-minute signing of numerous export ship contracts before the abrogation of the raw sugar-ship linking trade system on November 20, last year. Under the link system, shipbuilders acquiring ship construction orders from abroad were allowed to import a certain amount of raw sugar, which was sold very profitably in the domestic market. Such an arrangement enabled the shipbuilders to cover any deficits arising from under-cost export of ships. This peculiar arrangement, however, was severely criticized abroad, as a means of encouraging dumping and of applying different exchange rates to exports and imports. Hence, the Government's decision to discontinue the practice, and the subsequent on-rush of signing of ship export contracts, to

For the present every effort should be made for rationalization of the business management of financial institutions and for improvement of the financial administration of their affairs, so as to make a further reduction of loan rates feasible, thus giving a hint that new steps are being considered to promote cheapening of loan rates.

The stock market of late continued to move upwards and Dow Jones average prices at Tokyo Security Exchange on Oct. 12 reached Y402.79, regaining the Y400 level for the first time since Dec. 24, 1953. The brisk trading is ascribed to the following reasons: (1) Call money rates have come down more rapidly than were expected, and the Finance Minister has given a hint that a step might be taken for further lowering of loan rates. (2) With a bumper rice crop assured, business boom in farm areas and easier money are expected. (3) Treasury financing seasonally tends to big excess disbursements of funds in the Oct.-Dec. quarter. (4) Exports are unexpectedly favorable. (5) Business results of corporations making settlement of accounts in October are likely to prove better than those settling accounts in September.

The Ministry of Agriculture & Forestry predicts a spectacularly good rice crop for this year of 76,648,790 koku. It is an increase of 2,558,650 koku from the previous estimate, 9,940,000 koku more than the average, and even surpasses the previous high record attained in 1933 by 5,910,000 koku.

the amount of 32 vessels aggregating 355,000 gross tons, before the deadline.

However, this abrogation of the raw sugar-ship linking trade system coincided with the world-wide revival of the shipping business and the resultant briskness in the shipbuilding industry in Europe and America. Therefore, despite the earlier and widely held opinion that once the benefit of the sugar-ship link system was removed, Japan's export vessels would be shut out of the foreign shipbuilding markets, construction inquiries continued to pour in from abroad even after the turn of the year, with quoted prices per ton rising week after week. Thus, export orders of ships for fiscal 1954, ending March 31, this year, totaled 52 craft, aggregating 572,480 gross tons and approximately Y120 million in value. The tonnage represents 2.4 times that of 1951, and the value, 1.8 times, both establishing the postwar record. For reference, annual ship export orders received since 1948 are given below.

ANNUAL EXPORT ORDERS FOR VESSELS

Fiscal Years	No. of Craft	Tonnage	Value
1948:	16	61,960	\$ 17,314,346
1949:	13	38,580	932,880
1950:	32	50,827	11,699,878
1951:	233	232,765	70,756,387
1952:	21	44,997	14,869,742
1953:	13	165,180	40,420,363
1954:	52	572,480	127,661,361
1955 (April-Aug.):	44	584,900	135,789,900

The start of the export boom in the last quarter of 1954 was followed closely by a rush of jobs on domestic accounts. In November last, the belated decision by the Government on the starting of the 10th shipbuilding program was finally reached, involving 154,470 gross tons, with 14 liners and 5 trampers under 16 different company flags. In the following December, construction of naval craft for the Defense Board got under way, representing approximately 50,000 dead-weight tons in terms of merchant marine work volume.

Thus, almost all major shipyards in the country have been kept in capacity operation. Out of a total of 57 slipways capable of handling ships of 5,000 gross tons or up in 24 major dockyards, vessels of 5,000 tons or larger were under construction in five of them in last October, 26 in November, 31 in December, 32 in January this year and an equally high rate of operation has continued to this date.

Export demand since the turn of fiscal 1955 (beginning April 1) has gained momentum, orders received in the five months up to the end of last month totaled 44 vessels, aggregating 584,000 tons. Although the above number of ships is smaller than that for the entire fiscal 1954, the tonnage involved already surpasses that for the whole previous fiscal year. The amount of value is also larger by \$4 million already, aggregating \$133,789,000 as against the whole of last year's \$127,551,351.

The industry has at present an aggregate of construction orders of nearly one million four hundred thousand gross tons of foreign and domestic vessels, or almost two years' work volume since the combined annual capacity of the nation's major shipyards is put at somewhere between 700,000 and 800,000 gross tons. In addition, construction awards for the Government sponsored 11th shipbuilding program total 198,000 gross tons, with 16 dry cargo boats and 3 oil tankers. Moreover, shipbuilding inquiries have been steadily pouring in from abroad, among which a total

of 71 vessels—36 tankers, 32 ordinary freighters and 3 other type ships, representing 1,557,000 dead-weight tons, valued at about \$237,182,000—is considered to be almost certain of successful conclusion. These inquiries are from New York, London and other European markets; but apart from them there have been other inquiries from various governmental agencies of South American and Near Eastern countries, involving 41 ships, 208,100 gross tons and \$63,220,000 in value.

With such prospects, the major shipbuilders have begun to feel their present capacities inadequate, and started to expand or revamp their production facilities. One notable feature of export orders in recent months is a trend for larger and larger oil tankers. Tankers built for export in 1951 averaged 1,000 gross tons a piece. Those built in 1954 averaged 11,000 tons each. Now the average tonnage is up to 14,000 tons, with some of them as large as 45,000 deadweight tons. In view of such a recent world demand for larger tankers and freighters, a half dozen of the major shipyards have expanded their slipways, and a few more are to follow suit. Japan Steel Tube's No. 5 Tsurumi slipway, Mitsubishi Nippon Heavy Industries' No. 5 Yokohama slipway, Mitsubishi Heavy Industries Reorganized's No. 1 Kobe slipway, Harima Shipbuilding's No. 1 Aioi slipway and Hitachi Shipbuilding's No. 3 Innoshima slipway have already enlarged their capacities respectively. Ishikawajima Heavy Industries of Tokyo, Kawasaki Dockyards of Kobe and Mitsubishi Shipbuilding & Engineering of Nagasaki are also to construct new slipways or enlarge their present size.

Along with such expansions of their slipways, many shipbuilders have set about improving their crane strength, now averaging 30 to 35 tons, up to 50 to 60 ton capacity, and revamping their welding facilities so as to meet the increasing requirements in the new hull-block construction system. The introduction of this new shipbuilding process dates back only a few years, and yet the new technique has already changed the accustomed shipyard scene quite markedly.

Of the 12 billion yen invested in the rationalization of the nation's shipbuilding industry, during the four years from 1950 through 1953, investments in the welding departments occupied 25 percent, diesel provisions 14 percent, turbines divisions 12 percent and transportation facilities 8 percent. In the department of hulls construction, the first effect of such investments asserted itself in the radical shift of building technique from the orthodox riveting joint system to the electric welding method.

As a consequence of these rationalization efforts, ship delivery schedules have been quickened a great deal. In the course of 1949 to 1954, the building time was cut by 32 percent. At the same time, through the adoption of block building, prefabrication of ships parts and new welding techniques, material consumption was successfully reduced by 17 percent—all to help slash building costs for expanded export ship orders.

In 1954, the construction price of a vessel averaged ¥103,000 per ton as against ¥163,000 in 1951, which means some 37 percent lower, quite close to the then prevailing level in England. True, the Japanese ship prices contracted in 1954 were said to have been practically below costs, and without the help of the raw sugar-ship linking system, such low prices could have never been quoted. But, the effect of the shipbuilders' strenuous rationalization programs has been increasingly felt these days, and now the nation's major shipyards are beating the English firms in both the price and the delivery time, since the British builders have to quote higher prices as their order books become longer and longer. To the inquiries for ships to be delivered three years from now, British firms have to quote prices high

TRANSPORTATION IN SOUTH KOREA

Railway

Considerable progress has been made in the rehabilitation of Korean transportation facilities, particularly in the railway field. As of August 15, 1954, 81% of the pre-war 4,437.1 km. of rail track had been restored, 43.4% of the pre-war 74,665 m. of bridges, and 75% of the 85,344 m. of tunnels. Compared to 679 locomotives in operation before the war, latest reports show only 509 still running. Also, 11,117 freight cars are in operation in comparison to the 11,431 of pre-war days. Only 674 coaches are in operation out of the normal 1,182.

The real difficulty in the ROK railroad picture is the chronic inability to provide full civilian services, due primarily to the heavy increase of military demands upon the transportation facilities. For example, in 1949 (the last normal year) some 6,421,452 tons of freight were moved by the nation's railroads; in 1952, 10,559,680 tons of military freight alone, or 163.5% of the total pre-war tonnage, were transported on the railroads. In addition, only 40,658,771 passengers were carried in 1952 as contrasted with 77,421,978 during 1949. The civilian serviceability of the railroads decreased by 40.7% in passenger traffic

enough to insure against the possibility of rising costs in both materials and labor.

Such being the situation, the Japanese shipyards, together with the West German counterparts, are now making heavy inroads into the world's shipbuilding market, the latter having even surpassed the United Kingdom's export tonnage total by some 30,000 gross tons in 1954. Both Japanese and West German shipyards are capable of swift delivery of ordered vessels, with 8 to 10 months completion time from keel-laying in tankers and freighters alike, Japanese yards having a slight edge over West German firms.

This swiftness of deliveries is a great factor in the ever increasing inquiries from foreign ship owners and operators to the nation's shipyards. With the continued recovery in the world's shipping business, these people's demand for more bottoms has been stimulated, resulting in a marked improvement of ship prices. This price trend has been quite evident since last April, and the prices of the two large oil tankers ordered from a Panamanian firm in the same month was on the basis of \$138 per deadweight ton. Prices for dry cargo vessels are much higher, with some freighters contracted for about the same time being as high as \$200 or more per deadweight ton. These prices indicate an average rise of 15 percent as compared with those of last fall.

Although prices of steel, a major factor in shipbuilding costs, have been raised lately from the former Y36,000-Y39,000 per ton to about Y45,000, the actual prices agreed on in the purchases made since last April averaged about Y43,000, a level still permitting a reasonable profit margin for the shipbuilders. In addition, in view of the fact that a total of almost 70 percent of contracts are now in hand from foreign interests and that the shipbuilding has definitely become one of the nation's star export industries, the Government is expected to give the shipyards a helping hand in financial and other phases. All these seem to assure that operations of Japan's shipbuilding industry have at last turned the corner, with much brighter prospects promised for some time to come.

and 61.5% in cargo traffic. In 1953 and 1954 U.S. military movements still virtually monopolized rail traffic.

With the emphasis falling heavily upon priorities for military supplies and personnel, serious transportation obstacles handicap civilian industrial development. To remedy the difficulty, the Ministry of Transportation has sought to expand the railroad network, particularly in eastern-western directions. Also, in order to assist the development projects of coal and electric power, in November, 1953, the Ministry began construction on the 23 km.-long Munkyeong line (Chomchon-Munkyeong coal mines—Umsong coal mines) and the 24.5 km. Yong-wol line (Songhak-Yong-wol). Other projects include a rail extension of 23 km. to the Hambak coal mine from Yong-wol and a connection between the Yong-am line (Naesong-Cholam) with the Samchok line to the east coast, a rail distance of 76.6 km.

The Ministry of Transportation is also placing emphasis in its future planning upon: (1) Importing rolling-stocks and repair appliances in desirable quantities; (2) Re-equipment of safety facilities and appliances; (3) Strengthening the loading capacity of the tracks and road-beds; and (4) up-to-date adjustments of communication and electric facilities.

Locomotives and buses received through the American-Korean Foundation in mid-1954 brought only imperceptible relief to worn-out, overworked equipment.

Maritime

Because Korea is surrounded by sea, except for its northern border, it would be logical to expect to find a fully developed maritime transportation system. Unfortunately, the reverse is true. During their forty years of domination of Korea, the Japanese had virtually impeded all Korean nationals from engaging in maritime activities and business, while arbitrary advantages were given to Japanese vessels along Korean coasts. In addition, during the Japanese occupation, no adequate facilities to train Korean seamen were instituted and not a single well-furnished shipbuilding installation was constructed.

When the Korean war struck, the domestic maritime service suffered further reverses. Some 35% of all aid-to-navigation facilities were severely damaged, and many light-houses still remain unlit due to the unavailability of restoration funds.

Furthermore, the ship shortage is critical. Almost every Korean vessel—many of them obsolete—has been put into operation as a last resort. The ship-building facilities, numbering twenty-odd yards, are for wooden vessels, with a single exception, the Korea Shipbuilding Corporation. This firm is handicapped, however, by inadequate installations, and is limited to minor repairing and dry-dock services only. As a result, the bulk of relief goods coming from outside countries has to be imported by chartered foreign vessels instead of Korean ships. In addition, Japanese tugboats and barges under contract to the United Nations Command still perform much of the forward service of putting down United Nations munitions on Korean coasts, although the ROK Government and the United Nations Command in mid-1954 agreed on the replacement of Japanese vessels with Korean in these functions. The first step taken under the agreement was the cancellation of the Korean Base Section of the contract with the Tohrai Kisen Kaisha, a Japanese firm, to supply 43 harbor-craft. The Japanese

barges, with an average individual capacity of about 35 tons of cargo, had been used to haul cargo from the main piers in Pusan harbor to depots and storage areas, as lighters to haul cargo unloaded from ships anchored in the harbor, and to haul coastwise cargo to other Korean supply ports.

The types and tonnage of vessels in operation in Korean waters are increasing but late figures are not available. Records at the end of 1953 showed:

185 motor-ship passenger vessels	10,221.07 tons
870 motor-ship cargo vessels	105,236.96 tons
2,509 sail-ship cargo vessels	30,577.21 tons
3,185 motor-ship fishery vessels	39,790.74 tons
2,687 sail-ship fishery vessels	32,925.93 tons
100 (engined) tug-boats	2,619.29 tons
356 domestic-type sampans	26,441.90 tons
Total: 6,896 various ships and boats	247,813.10 tons

Korea entered the international shipping field in late summer and early fall, 1952, with the purchase of its first two big ships: the MS Pusan (ex-Rosathorden from Sweden) and the MS Masan (ex-Carina from Norway). These are of the C1-M-AV1 class of dry cargo ships and are capable of loading over 5,000 deadweight tonnage. The Pusan and Masan were brought from Europe by their Scandinavian crews implemented by Korean crew detachments, the latter forming the nucleus of the all-Korean crews now operating the ships. After several months of coastal operations, inspections reveal that the two new ships are being operated in accordance with the highest of maritime standards.

Korea's third oceangoing freight vessel, the Miss Korea, was a former Japanese ship salvaged from the bottom of a harbor by a Korean firm, repaired in the Tsurumi Shipyard near Tokyo, and then put on the Korea-U.S. and Korea-Australia runs to bring back to Korea thousands of tons of urgently needed relief grains. The ROK Government also has purchased two Liberty-type ships and a small refrigerator ship in the United States.

Another phase of the ROK maritime program is the initiation of a wide-scale river and harbor dredging program. As a result of the war and the earlier inadequate maintenance program of the Japanese, many once-navigable rivers and deep harbors have gradually silted up, until they cannot accommodate the large freighters of today. One of President Rhee's personal projects is the eventual dredging of the two largest rivers in south Korea—the Han, which flows through Yong Dong Po, the industrial and rail center near Seoul; and the Nakdong, 20 miles southwest of Pusan. A model project has already been initiated along the Nakdong. A river levee 19,300 feet long, a pumping plant, and a drainage canal are now under construction. When completed, 1,270 acres of land will be reclaimed, with resettlement opportunities for approximately 500 refugee families.

On June 20, 1953, the ROK Government, UNKRA and the U.N. Command signed an agreement which provides Kusan harbor with equipment and services to rehabilitate this important port. A commission from UNKRA completed a hydrographic survey of Kusan harbor and a 2,000-horsepower dredge has been imported. A total of \$1,250,000 has been committed for the entire harbor-dredging program. Part of the money is being used to rehabilitate three Korean dredges—the Kang Wha Ho, the Kum Wha Ho, and the Yong Dong Po—which are being overhauled by the Korean Shipbuilding Corporation in Pusan.

To replace and repair coastal navigational aids, UNKRA, in co-operation with the ROK Government, has spent \$250,000 for generators, engines, lanterns, lamps and sirens to increase the safety of shipping on a coastline which has such hazards as rocks, fog and unpredictable currents. Much of

this material has arrived and the Somaimul Light House has been completed.

An extensive maritime training program, jointly administered by ROK, KCAC, and UNKRA, provides on-the-job training of seamen and points the way for the establishment of a permanent merchant marine academy. On-the-job training is going on every day now in Pusan harbor. Eager Korean students—denied the opportunities during the long Japanese occupation—are now learning loading and unloading methods, anchorage techniques, and pier maintenance. Four hundred students are also enrolled in the makeshift, temporary merchant marine academy at Kusan, and, despite an unbelievable shortage of textbooks and equipment, an average of 80 officers a year are graduating. A new, permanent academy has been planned for Shinson-dai, 6 miles north of Pusan.

Highway Transportation

Since the highways of Korea are built almost entirely of dirt and gravel, a vast highway improvement program has been launched. The ROK Government has planned a road improvement program involving some 3,500 projects at a cost of about \$70,000,000.

For example, the Seoul City Highway Department has begun work on an addition to the O Kan Soo bridge between the East Gate and the Seoul Military Post Stadium. The new addition, which will accommodate vehicles up to eight feet in width, is being constructed so as to allow two-way traffic between Routes 13A (Ulchi Ro) and 2A (Chong No) at the important East Gate juncture.

Also, the ROK Army First Corps engineering outfits completed the shortening of the East-West Coastal Highway of Taikwallyung by 40 miles by the end of 1953. The highway which links the East and West Coasts through Taikwallyung, the longest and steepest mountain highway in Korea, has been shortened between Wontogni to Sockcho, avoiding Taikwallyung. The gigantic project was carried out under the command of the ROKA First Corps, with the active assistance of the U.S. X Corps, by the ROK Engineering Groups in only five months time.

Ten road and bridge projects were also undertaken through the AFAK (Armed Forces Assistance to Korea) program, under the direction of Gen. Maxwell D. Taylor, Eighth Army Commander.

Vehicular transportation has suffered because of the extensive damage to domestic vehicles and the lack of a plant capable of producing automotive parts. Before the war, there was a total of 16,351 private sedans, trucks, buses, jeeps, and carry-alls; the latest available figures indicate that only 11,543 are now in operation. Crowded always to capacity, these vehicles carried 38,754,277 persons and 799,124 tons of cargo of a private nature. Interestingly, 608 captured Russian-made trucks have also been pressed into domestic service.

The Ministry of Transportation has urged that a sizable automotive parts plant and a repair factory be erected to keep the nation's vehicles in proper maintenance and also that a tire plant be constructed.

The dire need for commercial transport encouraged UNKRA to import more than 565 Austin trucks from England, of which 537 were turned over to the ROK Office of Supply by Spring, 1954, for sale to end-users. The UNKRA allotment to the project of thus rendering substantial assistance to the movement of industrial and commercial supplies was \$2,000,000.

In comparison to a total of 4,854,756 tons of staple cargoes hauled by vehicular transport in 1952; during 1953

INDONESIA'S INDUSTRY

Unfavourable factors pressing upon industrial development prevailed throughout 1954. The labour problems lasted; a higher production efficiency was in general out of the question which fact strengthened big business tendency towards mechanisation. Big and middle-sized industrial concerns, in so far as registered with the Djawatan Perindustrian, employed together 530,000 workers. The already precarious raw material position was aggravated by the deficiency of foreign exchange. Irregular supplies—even where imports had increased over 1953—strongly hampered business planning. Many middle-sized and small businesses were unable to maintain a steady production tempo and several had to retrench it or even close down their business (textile works, clove cigarette and biscuit factories). While production of big business may have increased somewhat, production of small and medium industrial businesses dropped. Industrialisation did not make progress in 1954. Over against the setting up of new businesses stands the closing down of existing ones while the newly established firms likewise have to contend with raw material shortage. The recently founded nail factory in Semarang, for instance, works only at half-power. The foreign exchange planning for 1955 can only provide for the maintenance, not for the expansion of the present productive capacity.

The difficulties of kretek and textile factories and batik works are still accentuated by the stagnating domestic raw

materials distribution. Even though the distribution of cloves, yarns and cambrics has been returned to Government departments since October 1954—in April 1954 all textile's basic materials had been put on the list of controlled goods already—the distribution of cloves still leaves much to be desired. Clove prices fluctuated markedly and a number of kretek factories had to be closed down. The textile sector suffered moreover from speculative tendencies on the local markets, which were focussed in particular on cambrics and cotton weaving yarns. Weaving mills lacked yarns even though imports in 1954—while showing an erratic picture all through the four quarters—surpassed the 1953 total.

LICENSED CAPACITY OF CONTROLLED INDUSTRY

Industrial group	Unit	End of 1953	End of 1954 Total
Printing works	'000 m2 printing/hr	2,622	2,777
Rice milling works	h.p.	54,733	56,607
Spinning mills	spindles	67,000	98,000
Weaving mills	(hand looms	67,746	75,435
	(machine looms	12,994	12,480
Knitting mills	knitting machines	845	700
Textile printing works	machines	5	18
Cigarette works	'000 cigarettes/minute	199	199
Ice works	tons/month	34,498	34,399
Frying pan works	tons/month	521	510
Rubber remilling works	'000 tons/year	158	158
Dock-companies	'000 tons/month	5,723	5,682

The indonesianisation aim of the Government found expression in a number of foreign enterprises being compelled to effect the importation of their raw materials or the sale of their finished products through the intermediary of national entrepreneurs. Difficulties were experienced in obtaining foreign exchange licences and/or supplies of domestic raw materials. These difficulties have led to the Philips radio plant in Surabaya closing down business, the production now being concentrated on the Philips' Bandung premises. The works in Surabaya have meanwhile been taken over by national enterprise. The General Motors assembling plant for motorcars at Tandjung Priok has also been on the verge of closing down. It is now in Government hands and will be financed by the Bank Industri Negara. It remains the object to surrender it also to private national enterprise in due time. In order to promote the assembling branch of industry, the importation of complete radios and sewing machines has been prohibited. It is thus hoped that within a period of five years the assembling industry will be able to undertake the production as well.

The inadequate number of Indonesian entrepreneurs and of skilled labour, makes it seem wise policy to have the taking over of private foreign enterprise done at a slower pace.

MAIN WEAVING MILLS

	Number of mills		Yarn consumption (tons)
	Total	In operation	
1951	46	42	4,393
1952	72	61	6,056
1953	76	67	8,600
1954	73	65	8,200

The realisation of the industrial projects under direct Government supervision failed to come up to the original planning not only on account of poor management and lack of experience but also by the state of public administration which accounts for untold administrative and financial bother. Only in the printing sector the plans could be ma-

the following tonnage was handled:

Food, grains	2,008,461 tons
Fuel wood, charcoal	631,231 "
Fertilizer	401,692 "
Timber	229,538 "
Salt	172,154 "
Oil	114,796 "
Others	2,180,615 "
Total	5,738,460 tons

Most of this tonnage was of a commercial nature.

As for street-cars, only about 50% have been recovered. The pre-war total of Seoul's street-cars was 274; 89 were burned and 15 destroyed during the multiple battles for Seoul. However, 94% of the trolley lines have been restored.

Air Transportation

Korea owns only three twin-engined planes and one four-engined plane for her domestic airlines services. The private Korean National Airlines, directed by Capt. Shinn Yong-wook, serves the major cities of Korea, and an extension of the line connects with Hongkong and Japan. Direct Korean air service to the United States is also under consideration.

ROK became a member-nation of ICAO—the International Civil Aviation Organization. Direct international passenger service to Seoul was restored by Northwest Airlines in the Spring, 1954, with service to Pusan continued.

In addition to the paucity of planes, domestic Korean air transportation is handicapped by the lack of adequate air terminal facilities and air fields. A domestic air navigation training school is also needed for the expansion of ROK air transportation.

FINANCE & COMMERCE

PRODUCTION AND CONSUMPTION OF CITRONELLA OIL

By F. T. Li

Citronella oil is one of the essential oils widely used in the chemical and perfumery industries as well as in the pharmaceutical laboratories. Ceylon, Indonesia, Taiwan and Guatemala are the main producing countries. It is being

terialised; the set object of six new printing works could even be extended to seven. Various short term projects—remilling works, the spinning mill at Tjilatjap—which had to be realised as at the end of 1952, were not yet or only partly completed per end-1954. The long term projects fared no better. The setting up of a caustic soda factory at Waru and a gunny bag factory at Surabaya proceed slowly. The intended erection of a paper mill at Takengon (Atjeh) will probably have to be postponed indefinitely on account of insecurity prevailing in Atjeh. Other projects have not yet begun at all. The dessicated coconut factory at Sukur (Minahasa) makes losses presumably due to insufficient care being given to the sale of this product.

The foundation of central processing and production units (induks) also experiences considerable delay, while the already existing induks have incurred losses so far. Beside inadequacy of technical and managerial knowledge and absence of an efficiently working distribution apparatus, it is especially the cumbersome method of working of the Government offices which has caused this state of affairs. All along the line the sales aspect has been neglected.

Because ordered machinery did not come in time (they now seem to arrive, if gradually) and credit facilities were inadequately granted to the small scale industries which are characterised by lack of capital and liquid resources, the confidence of these small entrepreneurs has been seriously undermined. The Government has announced that in 1955 the mechanisation of small scale industry will again be faced.

Furthermore a five-year plan is being drafted for the setting up of so-called basic industries, while for central Djawa a separate five-year plan exists for the foundation of various light industries (textiles, soda, carbon paper, matches, hardboard, leather). On account of the density of population and the unemployment problem prevailing there, central and eastern Djawa will be given priority.

By putting into operation the power stations of Antjol II and Karet, and of the Tjilakki works, the electricity supply for western Djawa made progress. In 1954 a number of electricity companies were nationalised.

Apart from the unfavourable influence exerted by the foreign exchange shortage and the irregular supplies of raw material on the production of especially the middle-sized and small scale industries, the Government policy as regards foreign big business in many instances greatly added to hamper the production activities of these concerns as well. It would seem wise policy if, in addition to the drafting of a five-year plan for the country's industrial and economic development, the Government would focus its attention and its activities in the first place on the maintenance and the putting to better use of the existing production apparatus.

developed in Haiti, Belgian Congo, Honduras and Mexico, but their production is negligible in comparison to that of the four leading areas.

Ceylon: Citronella oil was first produced in this country at the beginning of the eighteenth century. Ceylon remained practically the world's sole supplier until 1890, when Java started to offer same oil of superior quality. Depending on the soil conditions and the amount of rainfall, two to three harvests of citronella grass may be reaped in Ceylon every year. The annual yield of citronella oil per acre amounts to 30 to 40 pounds. Due to the lack of rigid control over exports much of the Ceylon products are adulterated with about 6% of kerosene. This practice has greatly handicapped its competition against the Java oil, which, aside from its purity, offers an added advantage of higher citronellal and geraniol content. Ceylon's yearly production remained the same during the last two decades, ranging from 1,300,000-1,500,000 pounds. Total annual export amounted to 1,188,000 lbs during the period of 1938-1948. Recent statistics are not yet available; however, the average annual export to USA amounted to about 280,000 lbs between 1951 and 1954. A breakdown of Ceylon's annual exports is as follows:

Countries	Annual Exports in lbs.	
	1939-1948	1951-1954
United Kingdom	410,000	*
U.S.A.	364,000	208,156
India	174,000	*
S. Africa	74,000	*
Others	266,000	*

* Statistics not yet available.

Indonesia: The export of citronella oil is under the rigid control of the government laboratories, but the cultivation of the grass and distillation of the oil are mostly in the hands of the natives and overseas Chinese. Through efforts of the government laboratories, the quality of the oil is more or less standardized. Shipments must be made not later than 3 months after government inspection. The government analysis certificate states its total geraniol and citronella contents. It also certifies that the oil is not adulterated and specifies the steam distillation residue, if the latter represents more than 2.5 percent. It is not yet possible to assess the annual yield for one acre of grass in Indonesia. Reports vary from 40, 90 and 220 pounds. However, it is generally known that under the same kind of soil and similar weather conditions, the yield is about 50% higher than that in Taiwan (103 pounds per acre of grass a year).

The annual production of citronella oil in Indonesia reached 4,000,000 pounds before the war; but tremendously reduced during and immediately after the war. In 1954, it recovered to 1,400,000 lbs. Owing to its good quality and higher per-acre yield, its production and exports would gradually increase in the future. In 1938, Java exported nearly 4 million pounds; 30% of which was shipped to U.S. During post-war years, its chief market has been shifted from the United States to Europe and the volume of export has increased rapidly:

Countries	Annual Exports in lbs.			
	1951	1952	1953	1954
Netherlands	336,008	312,968	342,720	522,348
United Kingdom	81,548	72,732	68,324	72,732
Germany	41,876	138,852	59,508	46,284
France	52,896	182,932	426,392	480,472
Italy	—	28,652	41,876	55,100
U. S. A.	59,508	—	17,632	63,916
Mexico	15,428	52,896	33,060	—
S. Africa	11,020	—	61,712	—
E. Africa	—	28,652	—	11,020
India	37,468	30,866	39,672	26,448
Singapore	24,244	37,468	—	—
Australia	13,224	4,408	8,816	6,612
Japan	68,324	81,548	99,180	85,956

Taiwan: The cultivation of citronella grass was introduced to Taiwan from Java in 1912. The chemical composition of the Taiwan oil is identical with that of the Java oil. Therefore the Essential Oil Association in New York classifies the Taiwan oil under the Java Type. The annual yield in Taiwan per acre of grass is 103 lbs. The approximate production of citronella oil in Taiwan was 440,000

Countries	1951		1952		1953		1954	
	lbs	%	lbs	%	lbs	%	lbs	%
Ceylon	220,270	8.6%	342,804	7.8%	276,007	11.7%	281,545	12.2%
Indonesia	52,446	2.1	—	—	16,146	0.7	89,115	3.9
Taiwan	1,010,244	39.6	3,664,818	75.3	1,901,020	80.8	1,749,757	76.1
Guatemala	1,164,636	45.7	624,710	13.4	162,080	6.5	163,000	7.1
Others	102,267	4.0	47,858	1.0	6,400	0.3	16,697	0.7
Total	2,549,863	100%	4,680,190	100%	2,351,653	100%	2,800,114	100%

to 660,000 lbs in 1938; 1,676,400 lbs in 1949; 2,800,000 lbs in 1951. It has led the world since 1951 in the export of citronella oil. The total annual export between 1951 and 1954 is as follows:

Year	Exports in lbs
1951	2,528,378
1952	5,455,646
1953	5,169,887
1954	3,868,322

About 60% to 70% of the total exports was shipped to the United States and 30% to 40% to Japan and Europe via Hongkong. Transshipments were also made from Europe to the United States.

Guatemala: The citronella grass was introduced into this country in 1930 and was extensively developed during World War II, when the price of the oil rose to \$5.00 per pound. Production developed into larger scales in 1950 and about 4,500 hectares were cultivated. However, the output has been curtailed since last November due to the price drop in the world market and the revolution last summer. The peak production record was about one million lbs in a year. The annual per-acre yield is 97 lbs.

Year	Exports in lbs
1945	158,938
1946	316,756
1947	251,095
1948	650,000
1949	770,000

There are no direct figures for its production between 1950 and 1954. According to the reports of U.S. Department of Commerce, Guatemala exported 1,164,636 lbs to the United States in 1951 and its exports declined in the succeeding years. This may be caused by a cut in production or a change in export destination or both. The sharp price drop in 1953 may be the chief reason for its reduced productions.

Quality and Usage: There are only two types of citronella oil in the world market, the Ceylon Type and the Java Type. Those produced in Taiwan and Guatemala belong to the same category of the Java Type, because they possess similar chemical compositions as the Java Type. It contains about 85% of total geraniol, including at least 35% of citronellal; whereas the Ceylon Type

contains only 55 to 65% of total geraniol, including only 7 to 15% of citronellal. Furthermore, the odour of the Ceylon Type is coarser than that of the Java Type. This is the principal reason for the lower quality and value of the Ceylon Type in the world market. Except for the differences in percentages of chemical compositions and odour, the two types are otherwise identical. However, it is well known that the Ceylon oil is almost invariably adulterated with kerosene. Citronella oil is a basic material for the extraction of several important isolates, geraniol and citronellal, which can be converted into aromatics such as synthetic menthol, citronella, hydroxy-citronellal etc. It is also used for the scenting of sprays, detergents, polishes etc.

US Imports between 1951-1954: Before World War II, Indonesia supplied most of the citronella oil for US. During the war Ceylon and Guatemala were the chief suppliers; since 1951 Taiwan has taken the leading position in US:

World Consumption: As the value of imports of countries other than US is not available and the export figures of Ceylon and Guatemala during 1951 to 1954 are incomplete, it is difficult to ascertain the actual yearly consumption of citronella oil in the world. However, according to the production of Ceylon, Indonesia, Taiwan and Guatemala, the total supply would be:

Countries	Annual Production in lbs			
	1951	1952	1953	1954
Ceylon	1,630,700	1,159,200	1,410,600	998,200
Indonesia	766,992	1,033,676	1,249,668	1,392,928
Taiwan	2,528,378	5,455,646	5,169,887	3,868,322
Guatemala	1,164,636	624,710	162,080	163,000
Total	6,090,706	8,273,232	7,982,235	6,422,450

Figures for Guatemala represent only those for exports to US. The above statistics show that US consumes about 50% to 60% of the total world production and that Taiwan leads the world in production. Since Taiwan's production has dropped sharply during the last part of 1954 and the early part of 1955, the total exports of the 4 chief producing countries this year will not exceed 5,000,000 lbs. It is also rather difficult to estimate how much the world consumption on citronella oil will be next year because it depends largely upon the demands for drugs and perfumery as well as the supply of other materials, which may substitute citronella oil. Over-supply in 1952 and 1953 had resulted in a sharp drop in prices and too high prices will bring keen competitors into the market. Nevertheless, it can be estimated that 6 million pounds is the normal world consumption at the present and if proper research and propaganda for the use of citronella oil can be initiated by the producing countries, it will not be too optimistic to expect an improvement to 10 million pounds.

Fluctuation of Prices: In 1949, the demand and supply of citronella oil in the world had almost recovered to the pre-war level. Quotations for the oil at that time were \$1.20 to \$1.70 per pound for the Java Type and \$0.75 to \$1.00 for the Ceylon Type. Since then there have been sudden fluctuations. The outbreak of the Korean War in 1950 caused producers to tighten their holds on the oil and demanded higher prices. The consumers, on the other hand, started frantic buying in an attempt to build up large inventories. Then, there came the truce talk in Korea and

HONGKONG EXCHANGE
MARKETS

For the week 31st October to 5th November:

Date	U.S.\$		Notes High	Notes Low
	T.T. High	T.T. Low		
31/10	\$585	584½	579½	579½
1/11	585¾	585	580½	579½
2/11	586	585½	580½	579½
3/11	586	585½	579¾	579¾
4/11	586	585½	580¾	579¾
5/11	586½	586	580¾	580¾

D.D. Rates: High 584% Low 582½.

Highest and lowest rates for October were: T.T. 586 and 583½, Notes 580½ and 577½.

Trading totals: T.T. US\$1,965,000; Notes cash US\$553,000, forward US\$2,460,000; D.D. US\$330,000. The market was steady and rates moved up slowly but surely on lower cross rates in New York and good local demand. A steady market will continue on account of bullish world market and drop in cross rates in New York. In T.T. sector, local demand remained steady while offers continued from Japan, Korea and Thailand. In Notes, cash from Japan and Korea increased and separation with T.T. rates went up to about 6 points. Interest favoured sellers at \$2.90 per US\$1,000. Positions figured at US\$24 millions. In D.D. sector, the market was quiet.

Yen and Piastre: Change over interest for Yen was \$10.41 per Yen 100,000 in favour of buyer. No trading in forward. Cash quotations were \$1,475—1,500 per Yen 100,000 and \$400—340 per Piastre 10,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.9675—1.9575, Japan 0.014175—0.014025, Malaya 1.88—1.879, Indochina 0.0769—0.0751, and Thailand 0.265. The market was quiet. Trading totals were: Pesos 385,000, Yen 95 millions, Malayan \$330,000, Piastre 9 millions, Baht 6 millions.

Chinese Exchange: Official rates for People's Bank notes remained at 0.427 per HK\$ and 6.839 per £ Sterling. Cash notes quoted at \$1.70 per Yuan. Official rates for Taiwan Dollar also unchanged at 2.74—2.72 per HK\$ and

15.65—15.55 per US\$. Cash notes quoted HK\$159—149 per thousand and remittances 154—151.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.59—15.50, Australia 12.10, New Zealand 13.62—13.61, Egypt 14.90, South Africa 15.35—15.30, India 1.175—1.17, Pakistan 1.00—0.995, Ceylon 0.95, Burma 0.72, Malaya 1.832—1.826, Canada 5.815—5.805, Philippines 2.025—2.015, Macao 1.015—0.99, Switzerland 1.35, France 0.01515—0.015, Indonesia 0.145—0.14, Thailand 0.2445—0.244.

Gold Market

Date	High .945	Low .945	Macao .99
31/10	\$254¼	253¾	Low 263%
1/11	254¾	254	
2/11	254¾	253¾	
3/11	254	253¾	
4/11	254¼	253¾	264% High
5/11	254¼	254¼	

The opening and closing prices were \$253¼ and 254¼, and the highest and lowest \$254¾ and 253¼. Highest and lowest for October were 254¼ and 252¾. During the week, the market was easy. Interest for change over in forward favoured sellers at 85 cents per 10 taels of .945 fine. Positions figured at a daily average of 27,800 taels. Tradings amounted to 54,600 taels or averaged 9,100 taels per day. Cash sales totalled 31,670 taels (1,170 listed and 30,500 arranged). Imports mainly came from Macao and amounted to 23,000 taels; a shipment of 49,600 fine ounces reached Macao during the week. Exports totalled 20,500 taels (7,500 to Bangkok, 6,000 to Indonesia, 5,000 to Singapore, 2,000 to India). Differences paid for local and Macao .99 fine were \$12.30 and 12.10 respectively per tael of .945 fine. A total of 36,800 fine ounces contracted at 37.75 C.I.F. Macao.

Silver Market: Demand from exporters declined but drops were not large. Bar silver quoted \$6.75—6.60 per tael with 1,500 taels traded, \$ coins 4.30—4.20 per coin with 2,000 coins traded, 20 cent coins 3.28—3.20 per 5 coins with 2,000 coins traded.

Money Market: The market remained easy, with banks taking precautions in granting credits. Interest rates were from 6 to 16 per cent per annum.

HONGKONG SHARE
MARKET

Monday: The week opened with a dull and featureless market. Trading was reduced to a bare minimum. The day's turnover amounted to only about \$310,000. **Tuesday:** Although there was a slight improvement in the volume of business, Utilities were marked down sharply during the morning affecting the majority of other counters. In the afternoon prices seasawed with most stocks making a partial recovery. The turnover amounted to approximately \$1,220,000. **Wednesday:** Market conditions were a shade steadier and at the close of the half day session prices of some shares showed fractional improvement. Rubbers continued idle. Turnover for the day totalled approximately \$750,000. **Thursday:** Although there was no news of any importance the market again developed slight selling pressure; most stocks suffered minor setbacks. The market closed for the day with more sellers than buyers. The day's turnover amounted to about \$930,000. **Friday:** Liquidation and tight monetary condition caused a further decline in prices to the week's lowest levels. Utilities were hardest hit with losses averaging around 5% from Thursday's high. The turnover amounted to approximately \$1,040,000, and the market closed weak.

Hongkong Stock Exchange in October

The market opened quietly and remained so during the month. Only a moderate turnover was reported, and prices sagged, closing steady at lower levels. Various reasons were advanced for the lack of interest: the flow of capital into Hongkong has eased off to some extent, more interest taken in property, et cetera. **Banks & Insurances.** A demand set in for Unions and business was transacted at between \$987½ and \$940 while Hongkong Banks changed hands from \$1,730 to \$1,690. **Shipping.** Apart from Asia Navigations and Wheelocks, trading in this group showed no activity. **Docks, Wharves, Etc.** Only moderate trading at slightly lower levels was reported in this group. **Land, Hotels, Etc.** There was a fair demand for Hongkong Land Rights which reached \$38 but a lower price was offered towards the close. **Public Utilities.** A fair demand for shares in

over-supply of the Taiwan oil on the American market which set in motion a big decline in prices reaching its lowest point in the last quarter of 1952 and the first quarter of 1953. During the last quarter of 1953, increase in the cost of Taiwan oil forced up prices of both the Java Type and the Ceylon Type. The price has been firm since 1954:

Year	Market Prices in U.S. Dollars per lb.	
	Ceylon Type	Java Type
1951	2.50-1.05	3.00-0.85
1952	0.95-0.45	0.70-0.50
1953	0.50-0.55	0.50-0.60
1954	0.85-1.15	1.20-1.40
1955 Jan./June	1.70-1.50	1.85-1.65

Beginning 1955, with the fighting on the offshore islands of Taiwan, the price of citronella oil rose sharply. Accordingly, the price of the Ceylon Type also advanced. In the first quarter of 1955 the Java Type was quoted at \$1.80 to \$1.90 a pound. Since May this year world tension has eased. In addition, new crops are expected; as a result, the market becomes weaker. At present, the Java Type is offered at \$1.60 or \$1.65 per pound. The market seems to have returned to its 1950 level again and barring drastic changes in international affairs there should not be any big price fluctuations in the near future.

this group was reported and prices ruled steady. Only a moderate quantity of shares changed hands. **Industrials.** Demand for shares in this group was not maintained but just before the close of the sessions parcels of Metal Industries changed hands. **Stores.** Apart from a fair volume of business transacted in Dairy Farms, very little trading in shares of this group was reported. **Miscellaneous.** The demand for Allied Investors continued during the month and business was transacted as high as \$6. **Cottons.** Trading in shares in this group was on a light scale and prices remained steady. **Rubbers.** Only moderate trading was reported in shares, prices being influenced by the price of Raw Rubber.

Dividend announcement was made by Hongkong Realty & Trust Co.

Business reported during October: \$17,111,109. Business reported in 1954: \$251,976,029. Business in Jan.-Oct. 1955: \$300,130,431. Business reported October, 1954: \$19,797,396.

Business During October

	Qty. of Shares
H.K. Govt. Loan	
3½% .. (1934 & 1940)	\$ 2,000
3½% .. (1948)	30,000
H.K. Bank	314
Bank of East Asia	125
Lombard Insurance	245
Union Insurance	615
China Underwriter	1,000
Asia Navigation	14,500
Wheelock Marden	243,880
Wharf Co.	2,200
Sh. & Hongkew Wh.	104
C. Providents	11,175
H.K. Docks	510
Shanghai Docks	400
H.K. & S. Hotels	20,000
H.K. Lands (O)	19,354
do (Rts)	7,968
Humphreys (O)	708
do (N)	3,500
Realty	42,000
H.K. Trams	35,682
Star Ferry	300
Yaumati Ferry	4,907
China Lights (F. Pd.) ..	49,646
do (P. Pd.)	32,456
H.K. Electric	39,763
Macao Electric	2,000
Telephones	48,044
Cements	51,651
Ropes	1,200
Metal Industries	18,100
Dairy Farms	29,668
Watson	260
Lane Crawfords	600
Sincere	1,353
Kwong Sang Hong	212
Vibro Piling	1,500
Yangtze	11,500
Allied Investors	141,750
Ewo Cotton	1,300
H.K. Mines	5,000
Textiles	32,050
Nanyang Mill	6,500

Rubber

Amalgamated Rubber	162,604
Ayer Tawah	4,000
Java-Consolidated	2,905
Langkat	795
Rubber Trust	24,956
S'hai Kelantan	2,000
Sungala	8,800

SINGAPORE SHARE MARKET

October 24—29, 1955

Owing to the Friday celebration of the Prophet Mohammed's Birthday the week's business was confined to 4½ days. However, due to considerable turnover in local Loans and some improvement in the Industrial section's contribution, a much greater volume of business was transacted.

Foremost in the Industrial section were Straits Traders with business in quantity at \$24.65 cum 75 cents. Wearne Bros. remained in demand from \$2.90 to \$2.92½ and Robinson had takers at \$2.22½. There was an isolated transaction in Georgetown Dispensary at \$2.15 cum 20%. Some of the Singapore Cold Storage on offer were accepted at \$1.70 whilst United Engineers had sellers down to \$10.60. Fraser & Neave were quiet with a few transactions between \$1.65 and \$1.69 ex all. Straits Times had exchanges at \$2.82½ and \$2.80 but Metal Box, with supply limited, had unsatisfied buyers at \$1.50.

Highlight in the Tin section was Petalings' announcement of 20% (the 4th interim) making a total of 70% to date, as a result shares were taken from \$4.42½ to \$4.55 cd. Lingui Tin had further small exchanges at \$1.57½ cum 5% whilst Kuchai, with the financial year ending a month after Lingui, were in strong demand at \$2.16. Reports of the closing down of Sungei Way's No. 2 dredge for conversion from coal burning to electricity, led to business from \$3.32½ down to \$3.17½. Considering that on past available figures the No. 2 dredge produced less than 500 piculs per month, the current sharp fall in the shares could be overdone.

Rawang Tin were off with business at 10/4½ until Austral Amalgamated had buyers at 15/- and Lower Perak 14/10½. The Rubber section had a better spread. Langkon (N.B.) Ords. were taken from London at 2/2d and 2/1½d and Bukit Sembawang at 3/1½. Changkat Serdang had takers at \$2.72½, Kempas at \$1.50 and Lunas at \$2.55. Temerloh had exchanges at \$1.12½ and \$1.10 and Jimah at \$1.00 ex dividend.

The entry of the Central Provident Fund into the Loan market helped to induce others to begin the task of clearing the lists of old selling orders.

OCTOBER TRADE REPORTS

Trade figures for October are: Imports—\$314,421,827; Exports—\$223,583,867; Total—\$538,005,694. In comparison with those for the preceding month, imports increased by \$7,492,385 while exports declined by \$1,402,590. An increase of \$15,967,907 in imports and \$14,609,682 in exports was registered when compared with

those for October 1954. The total trade value for the first ten months of the year amounted to \$5,070,733,516, showing an increase of \$285,298,902 over the total of \$4,785,434,614 for the same period in 1954. Korea and Southeast Asia played the leading roles in the local commodity market during the month; Japan concentrated on the China produce and metal scraps; China bought some metals and industrial chemicals; while Taiwan made only selective purchases in limited quantities. Turning to the commodities, textiles drew very strong demand from Indonesia and stocks of the popular items were almost exhausted, pushing prices further up. Paper was still the favourite with Korea, but the low availability of spots and near-forwards of some items curbed the turnover. As a result of Japan's export ban on certain metals, Thailand, Africa, Australia, New Zealand and North Borneo turned to Hongkong for replacements, which stimulated the local metal market.

TRADE DEVELOPMENTS

Trade Restrictions: Australia reduced imports from Dollar and Non-Dollar Areas and increased import duty on several commodities including aluminiumware. Hongkong manufacturers were cautioned against the use of silk or artificial silk on articles for export to UK as it might involve heavy import duty. Indonesia proclaimed new rulings on the import of cotton textiles and other essentials. The American Consulate General here removed the requirement of endorsement on consular invoices covering goods for USA. A 300% increase of import duty on enamelware was enforced by Haiti.

Freight Rates: Beginning October 1st, freight for textiles, torchlights, chinaware, fire crackers, hurricane lanterns and rayon piece goods from HK to South Africa was increased by 10%. Freight from HK to Singapore, Penang and Port Swettenham will be charged net without discount.

China Trade: China further expanded trade with Southeast Asia, the Middle East and Europe. There were many trade missions to and from China during the month. The Burma market was flooded with goods from China. Trade with Japan was accelerated by the barter of coal against Japanese metals. In the local market, China kept up her regular supply of various produce, while her purchases were confined to selected industrial chemicals.

Taiwan Trade: Taiwan sent here a steady supply of sugar, fruits, live hogs, citronella oil and a few hundred cases of tea. Her purchases from here were still limited to selective items of paper, pharmaceuticals and industrial chemicals.

Japan Trade: Aside from the China barter, Japan also concluded trade agreements with North Korea, USSR and Europe amounting to \$13 million,

\$5 million and \$10 million respectively. Due to the shortage of metal scraps, Japan banned the export of certain metals. To Hongkong, in addition to her regular supply of paper, yarns, textiles, metals, industrial chemicals and sundry goods, Japan increased her cement export to 20,000 tons per month.

Korea Trade: Seoul resumed trade negotiations with Japan. Tenders were invited for the supply of metals, cement, lumber, ties, telephone poles, railroad equipment et cetera. In the local market, Korea retained her leading position among all buyers with purchases covering a very extensive range. The volume might have been larger if there had been more stocks.

Indonesia Trade: The strong demand by Indonesia for cotton textiles created a sensation on the local market. A drastic change in the Indonesia's trading policy could be noticed lately, as the Government strived to improve her foreign trade. The most prominent among the measures was the lowering or eradicating of export duty. The re-opening of barter with Singapore was considered while negotiations with US for the purchase of surplus farm products continued.

Thailand Trade: Thailand purchased from here yarns, textiles, blankets, underwears, metals, paper, woodoil, pharmaceuticals, structural steels, and cheap cosmetics. Rice was her main export to Hongkong.

Indochina Trade: The slump of Piastre depressed trade at first; later improved with purchases of local manufactured goods as well as reconstruction commodities under the US aid funds. The 1,000 million Franc trade agreement between Vietnam and France and Vietnam's direct trade with US and Japan might curtail HK's future exports to this area.

Philippine Trade: Due to import restrictions in the Philippines, trading in that direction remained slow during the month. Purchases made here included 50 tons of untoasted garlic and \$500,000 worth of cotton yarn. The barter of lumber and sugar from the Philippines against textiles and local manufactured goods from Hongkong continued but limited to a rather small scale.

Burma Trade: Trading remained sluggish. Burma's direct trade with China, Japan and India all contributed to diminish Hongkong's exports to this country. The lack of foreign exchange in Burma was another obstacle in this connection.

Other Countries: India increased export quota for cottonseed cake and raw cotton and extended the free exportation period for other oilseeds. The Chinese Chamber of Commerce in Honolulu was planning to set up a permanent show center for Hongkong products in the form of a department store there.

COMMODITIES

China Produce: Export demand remained unabated during the month for most popular items. Woodoil gained repeatedly on advances of Chinese export floor price and London price and strong overseas demand. Aniseed oil, overstocked here, was weak. Citronella oil failed to improve despite speculative operations. Sesame rosin and mustard seeds were favoured by Japan at steady prices. Offers for perrilla seeds from China appeared on the market but no business was done. Maize remained firm on continued purchases by Japan, while untoasted garlic enjoyed keen demand from the Philippines. Groundnut kernel improved on steady export demand. Bitter almond gained on short supply and demand from Europe; dried ginger advanced on low stock and marked-up Chinese export floor price. Both cassia lignea and unscrapped cassia went down due to heavy stock. Hog casing received good support from Europe and teaseed cake was favoured by Singapore. Silk wadding firmed up on steady local and export demand. Soyabean briskly traded on advanced prices. Green peas and red beans yielded under selling pressure.

Paper: The market was very well supported by Korea and Southeast Asia. Short stock restricted the turnover. Woodfree printing was only traded in forwards as stock here exhausted; advance in price was however checked by low buying offers towards the end of the month. Transparent cellulose paper, Continental origin, was low in stock; buyers therefore resorted to UK goods. MG pure sulphite and tissue paper drew very strong demand from Korea. Newsprint in reels edged up with more enquiries from Korea. Newsprint in reams remained popular with local consumers. The acute shortage of aluminium foil early in the month stimulated prices to high levels; expected arrivals eased the market later. MG ribbed kraft gained on low stock, higher indent and demand from Southeast Asia. Strawboard and duplex board registered good local support while unglazed kraft and flint paper were favoured by Thailand.

Metals: Japan's export ban stimulated the local market to a certain extent. Local demand dominated the market on factory items and structural steels. Black plate waste and tinplate waste were low in stock, and prices moved up. Increased indents of aluminium sheets, copper wire, and mild steel plate geared the local prices up. Exports included zinc sheet to China; scrap iron and cast iron to Japan; mild steel plate, mild steel round bars, mild steel angle bars, and steel wire rope to Thailand; tin to India; wire rods to Burma; mild steel plate to Korea; and steel wire rope to North Borneo. Black iron pipes and galvanized iron pipes received the usual support from the local contractors.

Tinplate was weak due to selling pressure and galvanized steel plate dipped further under the weight of heavy stock. Wolfram was enquired by UK but no business registered due to the difficult supply position.

Industrial Chemicals: Korea, China, and Southeast Asia moved into the market in the middle of the month. Business done included formalin, petrolatum, red phosphorus, potassium carbonate, carbon tetrachloride, methyl alcohol, sodium cyanide, copper sulphate, industrial tallow and gum arabic by Korea; and sodium hydrosulphite by China. Indent prices of shellac, sodium nitrate, acetic acid, copper sulphate, and red phosphorous moved up, stimulating prices in the local market. Soda ash and tanning extract were confined to local consumption.

Pharmaceuticals: Export improved with demand from Korea, Vietnam, Thailand, India, and China. Penicillin preparations registered firm prices. Sulfonamides were briskly traded. Other items exported were santolin crystal, metamizole powder, extract ergot, gum acacia, quinine thylcarbonate, glucose powder, aspirin powder, atophanyl ampoule, phenacetin, acetanilide, and caffeine alkaloid. Saccharin lactose, rimifon tablets, creosote, gum tragacanth, and dihydro-streptomycin remained firm on local consumption.

Cotton Yarns & Piece Goods: Cotton yarns registered small fluctuations. Indian yarns declined under heavy arrivals. Transactions however were brisk. Hongkong and Japanese yarns maintained steady prices throughout the month. Cotton piece goods entertained strong demand; prices went up. Japanese white shirting remained sluggish.

Rice: Increased supplies forced prices down. Indent prices of Thai rice were marked down.

Flour: The market was sluggish. In spite of a 10% drop of the indent prices of American products, there were little replenishments as stocks here totalled 200,000 bags.

Sugar: The market was well supplied by Taiwan with regular arrivals during the month. Goods of other origins were also abundant in supply. Export demand remained weak; prices failed to improve. Taikoo granulated and fine were steady throughout the month with regular local demand. Japanese goods registered light trading. Malt sugar achieved some improvements on low stock.

Cement: Business during the month was limited to local tradings only. Prices remained firm.

Hongkong Products: All popular industries enjoyed booming business throughout the month. Weaving and spinning mills were fully booked with orders from UK and Southeast Asia. Rubber footwear factories got orders to deliver over 200,000 dozen-pairs before the end of the year. Knitted

goods factories received numerous orders from overseas while other industries (embroideries, underwears, shoes, slippers et cetera) were busy with orders for Christmas goods. Torch batteries was another item popular overseas. Coated rattan articles enjoyed considerable demand from US and UK. Orders from US for rattan chairs alone totalled 200,000 pieces.

COMMODITY PRICES ON OCTOBER 31

CHINA PRODUCE

(All prices per picul unless specified otherwise)

Aniseed Star: Kwangsi, export packed \$87. **Bran (Rice):** Thai, 1st grade \$26.50; Sourabaya, 1st quality, forward, \$25.20. **Bran (Wheat):** HK, \$24.50. **Cassia Ligna:** Kwangtung/Kwangsi, 1-cwt bale \$56; 80-lb bale \$52; in bulk, \$50. **Egg Albumen:** dried, Tientsin, \$6.10 per lb. **Egg Yolk:** dried, Tientsin, \$4.40 per lb. **Feather (Duck):** HK, N.N. 85% \$515; (Goose): HK, G.S. 90%, \$660. **Gallnut:** Hankow, forward \$115. **Gypsum:** Hupeh, white, \$7.60; Kwangtung, colour, \$5.50. **Fluorspar:** Hunan, 80-90%, £10.10 per metric ton c & f Japan. **Lead Ingot:** 99.9% \$120. **Realgar:** Hunan, \$61.50. **Tin Ingot:** Straits, 99.75% \$735. **Hog Bristle:** Tientsin, No. 55, black, 30/3d; Hankow, No. 17, black, 24/11d; Chungking, No. 27, black, 18/4d; Shanghai, No. 17, black, 14/11d, all per lb. c & f Europe. **Raw Silk** 20/22 Denier: Shanghai, white, AAAA grade, \$3,435; AAA grade, \$3,390; AA grade, \$3,350; Canton, AA grade, forward, \$3,160; A grade \$3,150; B grade, \$3,135. **Red Chili, Dried:** Honan, \$90; Anhwei, \$85; Szechuen, old stock, \$72. **Rosin:** Kwangtung, Junk Brand AA grade \$1,109 per metric ton; A grade, \$1,092 per metric ton. **Sesamum, Unhulled:** Africa, yellowish-white, \$64; Thai, black, new crop, forward \$63; Vietnam, brown, forward, \$62; Hankow, yellowish-white, forward, \$1,200 per metric ton. **Castor Seed:** Thai: £47.- per metric ton cif Japan. **Mustard Seed:** North China, £57.- per metric ton cif Japan. **Linseed,** North China, £59.- per metric ton cif Japan. **Silk Waste:** Szechuen, spun silk tops, 60-kilo case, A grade, \$1,960 per case; Liao-tung, A Grade, tussah silk waste, 74/0d cif Japan; Kwangtung, B grade, long waste £88/14/- per metric ton c & f Japan. **Tea:** Flowery, Fukien, 1st quality, \$2,000; Oolong, black, Fukien, 2nd quality, \$360; Black, Hunan, 2nd quality, \$280; BOP black, Taiwan, \$260; Powchong, Jasmine, Taiwan, 1st quality \$530; Green, Loting, 1st quality, \$210. **Spun Silk:** Shanghai, 210/2 50-kilo case, \$1,971 per case; 140/2 50-kilo case \$1,690 per case; Shanghai, A grade, bourrettes, 8/0d per kilo c & f Japan. **Aniseed Oil,** in drum \$1,770; export quality, 17/0d per lb. c & f Europe. **Camphor Oil:** Taiwan, refined, in drum \$1.70 per lb.; Kwangsi, crude

\$175. **Castor Seed Oil:** in drum \$92. **Cassia Oil:** 80-85% in drum \$1,370. **Citronella Oil,** Taiwan, \$9.75 per lb. **Peppermint Oil,** Shanghai, Polar Bear brand, \$26.50 per lb. **Teaseed Oil,** in bulk, \$95. **Wood Oil, Refined:** in bulk, spot \$192; in bulk, forward \$179; in drum \$199.- per metric ton c & f Japan. **Almond, Bitter:** Tientsin, red membrane, large, jobber's price \$220. **Alum:** Wenchow, \$20. **Coir Fibre,** Szechuen, A grade 50% 12"/18", 50% 18"/24", \$95. **Galangal,** Kwangtung, 2nd quality \$24; Hoi How, C grade, \$19. **Ginger, Dried:** Szechuen, whole, \$160. **Hop Seeds:** Tientsin, \$60. **Rhubarb:** Tientsin, 1st quality \$32. **Silk Wadding:** Shanghai, forward, \$38.50 per kilo. **Talcum Powder:** Kwangsi, \$135 per metric ton. **Teaseed Cake:** Kwangsi, \$12.50; Kwangtung/Kwangsi, new stock \$12.80. **Turmeric:** Taiwan, C grade, \$62; Szechuen, \$56. **Black Bean:** Shanghai, \$55; Kwangsi, 2nd quality \$37.50; Pakhoi, \$37.50. **Red Bean:** Tsungming, \$77; Shantung, \$74; Korean, \$55. **Green Soya Bean:** Lanchee \$53. **Yellow Bean:** East Africa, 1st quality, new stock \$64; Dairen, A grade \$49; B grade, lower quality old stock \$43.50; Thai, large, \$44.50. **White String Bean:** Thai, 1st quality, \$71. **Green Bean:** Inner Mongolia, \$42; Thai, large, new stock \$41; Anhwei, mixed, \$28.20; Hankow, above average quality, \$27.40; Honan, 1st quality \$27. **White Peas:** East China, 2nd quality \$45. **Groundnut, Shelled:** Tsingtao, new crop, F.A.Q., forward, \$74.50; Africa, new stock, medium \$63; unselected, above average quality \$62.50.

METALS

(All prices per picul unless specified otherwise)

Mild Steel Angle Bars: Cont. or Jap., 1/8" x 1" x 1", \$44; 3/16" x 1-3/4" x 1-3/4", \$43; 5/16" x 2 1/2", \$42. **Mild Steel Flat Bars:** Cont. or Jap., 1/8" x 3/4", \$44; 1/8" x 1", \$44; 1/4" x 1"-2", \$44.50; Hongkong, 1/8" x 5/8", \$43; 1/4" x 1", \$42. **Mild Steel Round Bars:** Cont., 40' length, 1/4" to 3/8", \$44; 5/8" to 1 1/2", \$43; Hongkong 20'-40' length, 1/4", \$43.50; 3/8" to 1", \$43. **Mild Steel Square Bars:** Cont. or Jap., 20"-22" length, 1/2", \$45; 5/8" to 1 1/2", \$44. **Mild Steel Plates:** Jap., 4' x 8', 1/16", \$55; 3/32", \$54; 1/8", \$48; 3/16" to 3/8", \$47. **Steel Wire Ropes:** Hongkong, 24 x 6 x 720', 1 1/2", \$1.50; 1 1/2", \$1.30; 2 1/2", \$1.05, all per lb.; U.K. 24 x 6 x 7, 1 1/2", \$1.60; 1 1/2", \$1.55; 2 1/2", \$1.20, all per lb. **Tin Plate Waste Waste:** Electrolytic, US, 18" x 24", \$86 per 200-lbs tin lined case; 1-ton skid, \$83.50 per 200 lbs.; U.K. 18" x 24", 1-ton skid, \$83; Coked, US, 18" x 24", \$98 per 200-lbs case; 1-ton skid, \$95 per 200-lbs; U.K. 18" x 24", \$94 per 200-lbs case; Misprint; U.K. 18" x 24" & larger, \$49. **Black Plate Waste, Waste:** U.K., 18" x 24" & larger, G29-G33, \$44.50. **Galvanized Iron Sheets:** Jap., 3 x 7', USG-24, \$0.55; USG-26, \$0.54; USG-28, \$0.56, all per lb.; USG-31, \$5.50 per pc. **Tin Plate,**

U.K., 20 x 28", 200-lbs tin lined case of 112 sheets, \$118 per case; 30 x 36" G26, \$0.77 per lb. **Aluminium Sheets:** Jap., 4 x 8', 99.5% alloy, G22, \$1.92 per lb.; 3 x 8', 99.5% G18-G20, \$1.90; G24, \$1.92; G28, \$1.93, all per lb. **Zinc Sheets:** Cont. 3 x 8', G5-G6, \$120; G8-G10, \$125. **Black Iron Pipes:** Cont. 18-22', 1/2", \$0.40; 1", \$0.68; 2", \$1.60; all per ft. **Galvanized Iron Pipes:** Cont. 18-22' 1/2", \$0.46; 1", \$1.14; 2", \$1.95; 3", \$3.60; 4", \$3.80, all per ft. **Iron Scraps:** Wrought Iron Scraps, 1st choice \$300 per ton; 2nd choice, \$200 per ton; Ship Salvaged Iron Plate 3/8", \$27; 1/2" & overs, \$28.

PAPER

(All prices per ream unless specified otherwise)

Aluminium Foil: UK, 60 gr. 22-lb ream, 20 x 26" thick, golden colour, \$89. **Dutch or Austrian,** same specification, silver colour, \$74. **Duplex Board:** 31 x 43" 250 gr. 240-lb ream, Swedish, \$154; Czech, \$137; Norwegian, \$142; Japanese \$112; 230 gr. 220-lb ream, Swedish \$137; Czech, \$127; Austrian, \$128; Japanese \$102; Norwegian, \$132; Finnish \$132. **Transparent Cellulose Paper:** 36 x 39" 30 gr. Japanese, \$68.50; Italian \$70; French \$69.50; Belgian \$69. **Newsprint in Reels:** 50-52 gr. 31", US, 49c; Canadian, 48c; Chinese 42c; Norwegian, 48c; Austrian 46c, all per lb. **Newsprint in reams:** 31 x 43" Cont. 50-52 gr. 50-lb ream, \$26; Jap. 50 gr. 48-lb ream, \$21.50; Chinese, 50 gr. 48-50-lb ream, \$22.20. **M.G. Cap:** 22/23 gr. 17 1/2-lb ream, 25 x 44", Austrian \$12.20; Norwegian, \$12.50; Jap. \$11.60; Chinese, \$8.80. **M.G. Pitched Kraft:** Swedish, 100 gr. 118-lb ream, 35 x 47" \$88. **M.G. Ribbed Kraft:** 35 x 47", Swedish 40 gr. 47-lb ream, \$33.50; Austrian, 39 gr. 46-lb ream, \$32; Jap. 38/39 gr. 45-46-lb ream, \$29.60; Cont. 60/160 gr. 75/160-lb ream 73c per lb. **Un glazed Kraft:** 35 x 47", Swedish, 60/140 gr. 75/160-lb ream, 72 1/2c per lb; Austrian 100/140 gr. 115/160-lb ream 70c per lb; Chinese 40/80-lb ream, 60c per lb. **Art Printing:** One-side coated, 31 x 43", 88 gr. 85-lb ream, UK, \$98; Italian \$96.50; Dutch \$92. **Two-side coated,** 31 x 43", UK, 95/120 gr. 90-100-lb ream, \$1.25 per lb; UK 92 gr. 88-lb ream \$107; Jap. 90 gr. 85-lb ream \$83. **Woodfree Printing:** 31 x 43", Austrian or Dutch, 50 gr. and below, 43/48 lb ream, 85c per lb; 60 gr. and over 57/60-lb ream, 80c per lb; 62/83 gr. 65/80-lb ream, 87c per lb. Jap. 60/100 gr. 57/100-lb ream, 70c per lb; 50 gr. 48-lb ream 70c per lb. Chinese 60/90-lb ream 64c per-lb. **Bond:** 22 x 34", white, 60 gr. 32-lb ream, Norwegian or Swedish, \$30.50; Central Europe, \$27; Cont. \$24; Jap. \$22.70. **Tissue Paper:** Finnish, 30 x 40", 20 gr. 15-lb ream, \$21.50; Norwegian, 25 x 44", 17 gr. 13-lb ream \$21; Austrian, \$20. **Strawboard:** 26 x 31", Dutch, 8 to 16 oz. \$495 per ton; Jap. 8 to 16 oz. \$450 per ton; Jap. 20 to 32 oz. \$560 per ton; Chinese 8 to 16 oz. \$395 per ton.

INDUSTRIAL CHEMICALS

Acetic Acid: (Glacial 99/100%), German, 25-kilo drum, public godown stock 78c per lb. **Stearic Acid:** Belgian, 80-kilo bag, needle form, 96c per lb; Australian 140-lb bag, powder form 68c per lb. **Oxalic Acid:** (crystal) German, 100-kilo barrel, 70c per lb. **Barium Sulphate:** German, 50-kilo bag, \$442 per ton. **Bicarbonate of Ammonia:** UK, 2-cwt drum, \$650 per ton; German, 50-kilo drum \$610 per ton; Polish, 50-kilo drum \$450 per ton. **Bleaching Powder:** UK, 35%, 1-cwt drum, \$34 per drum. **Borax** (granular): US, 100-lb paper bag, \$30 per bag. **Calcium Hypochlorite:** Jap. 60%, 50-kilo drum, 51c per lb. **Caustic Soda:** Chinese, 250-kilo drum \$110 per drum; UK, 300-lb drum, \$149 per drum; Jap. 300-kilo drum \$142 per drum. **Chlorate of Potash:** French, 100-kilo drum, 62c per lb; Swiss, 100-kilo drum, 62c per lb; UK, 50-kilo 62c per lb. **Formalin:** UK 40% volume, 448-lb drum, 34c per lb. **Glycerine:** Chinese 20-kilo tin, \$1.80 per lb; Dutch, s.g. 1.260, 250-kilo drum, public godown stock \$2.15 per lb. **Gum Arabic** Sudan, 100-kilo bag, 96c per lb. **Linseed Oil:** UK, 400-lb drum, \$119 per picul. **Lithopone** (30%): Dutch, 50-kilo paper bag, 33½c per lb. **Red Phosphorus:** Canadian, 11-lb tin, 1/10 case, \$290 per case. **Rongalite C** (Lump): French, 97c per lb. **Rosin:** US, 517-lb drum, \$82 per picul. **Shellac:** Indian, No. 1, 164-lb case \$360 per picul. **Soda Ash:** Chinese, 80-kilo bag, \$23 per bag; UK, dense, \$32.50 per bag; UK, light, \$26 per bag; Jap. dense \$31 per bag. **Sodium Bichromate:** Australian, 560-lb drum, public godown stock 94c per lb. **Sodium Cyanide:** German, 50-kilo drum, \$1.12 per lb. **Sodium Hydrosulphite:** French, 50-kilo drum \$165 per picul; German, 100-kilo drum \$165 per picul; UK, 50-kilo drum \$170 per picul; US, 250-lb drum, \$165 per picul. **Sodium Nitrate:** German, 50-kilo gunny bag, \$33 per picul. **Industrial Tallow:** Australian No. 1, 300-kilo drum \$80 per picul. **Tanning Extract:** Mimosa 57c per lb; Quebracho 78c per lb. **Titanium Dioxide:** UK, 56-lb paper bag, \$1.60 per lb; German, 50-kilo gunny bag, \$1.60 per lb.

PHARMACEUTICALS

Penicillin-G Procaine Fortified: 400,000 units per dose, UK, 1956, 20c per vial; French, 1957, 22c per vial. **Peni-**

cillin Ointment: UK, 2,000 units per 1-oz tube \$7.30 per doz. **Penicillin-G in Oil, Procaine:** 300,000 units per cc, 10 cc per vial, UK, 1958, \$2.40 per vial; US, 1957, \$2.60 per vial; French, 1956 \$1.60 per vial. **Dihydrostreptomycin:** UK, 1958, 83c per vial of 1 gm; 1959, \$1.40. French, 1958 67c per vial of 1 gm; 1959, 72c. Japanese, no date, 64c per vial of 1 gm. **Sulphadiazine Powder:** UK, 1-cwt drum, \$31 per lb; French, 10-kilo tin, \$30.60 per lb; Japanese 10-kilo tin, \$30.50 per lb; Danish, 50-kilo drum \$30.50 per lb. **Sulphaguanidine Powder:** French, 50-kilo drum, \$7.40 per lb; Italian, 1-cwt drum \$7.35 per lb. **Sulphathiazole Powder:** French 50-kilo drum \$9.10 per lb. **Sulphanilamide Powder:** US, 200-lb drum, \$4.20 per lb; UK, 1-cwt drum, \$4.25 per lb; German, 50-kilo drum \$3.90 per lb. **Quinine Ethylcarbonate:** Dutch, \$2.45 per 1-oz carton. **Quinine Sulphate:** Dutch, \$136 per 100-oz tin. **Amidoverin:** French, \$16.30 per lb; US \$17; UK \$16.20 per lb. **Phenacetin:** Dutch, 50-kilo drum \$5 per lb; UK \$5.20; German \$5 per lb. **Saccharum Lactose:** Dutch, 100-kilo case, 85c per lb; German 1-cwt case 92c per lb; UK, 56-lb tin, \$1.05 per lb. **Santonin:** NK, 1-kilo tin, \$18 per oz.

COTTON YARNS

(All prices per bale unless specified otherwise)

Hongkong Yarns: 10's, \$800 to \$880; 12's \$980; 16's \$1 050; 20's \$1 060 to \$1 155; 26's, \$1 240; 32's \$1 340 to \$1 440; 40's, \$1 780; 42's, \$1 760. **Indian Yarns:** 20's \$880 to \$920; 32's, \$1 110 to \$1 180. **Japanese Yarns:** 32's, \$1 430 to \$1 470; 40's \$1 550 to \$1 580; 42's, \$1 670 to \$1 680.

COTTON PIECE GOODS

(All prices per piece unless specified otherwise)

Grey Sheetings: Chinese, 72x69, 36" x 40 yds, \$37.50; Hongkong, 60x56, 36" x 40 yds, \$36.50 to \$37.50; Japanese, No. 2023, \$39; No. 2003, \$38. **White Shirting:** Japanese No. 16000, \$43.70; No. 10000, \$43.60.

RICE

(All prices per picul unless specified otherwise)

White Rice: Thai, Special 3%, new crop, \$57.10; A-5%, new crop, \$56; B-10%, new crop, \$51.60; C-15%, new

crop, \$47.40. **Broken Rice:** Thai, C-1, \$49.60; C-2, \$47.90. **Glutinous Rice:** Thai, 1st quality, AA, \$53.50.

WHEAT FLOUR

Australian: 50-lb bag, \$12.50 to \$13. **American:** 50-lb bag, \$12.80 to \$13.50; 100-lb bag, \$24. **Canadian:** 50-lb bag, \$15.90 to \$16.80; 100-lb bag \$33.50. **Hongkong:** 50-lb bag, \$12.20 to \$15.50.

SUGAR

(All prices per picul unless specified otherwise)

Granulated Sugar: Taiwan, refined, No. 24, \$42.70; Cuba, brown, \$36.50; Japan, granular, new \$42.30; Taikoo, granulated, \$43.50. **Malt Sugar:** Thai, \$41. **Sugar Candy:** HK, 1st, \$50; 2nd \$49.

CEMENT

Green Island Cement: Emeraldcrete, rapid hardening, \$8.10 per 112-lb bag; Emerald, \$7.05 per 112-lb bag; \$6.30 per 100-lb bag. **Japanese Cement:** Spot, \$5.80 per 100-lb bag; \$6.50 per 112-lb bag. **White Cement:** Snowcrete, \$64.50 per 375-lb drum; \$15.30 per 112-lb bag; Bate \$15.40 per 112-lb bag.